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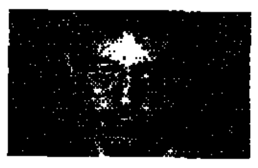

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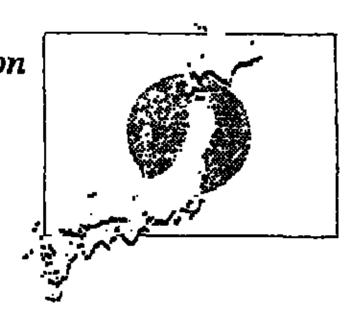


NEWSPAPER of THE YEAR

FINANCIAL TIMES

Tuesday May 26 1992 — EUROPE'S BUSINESS NEWSPAPER — D8523A

Pentagon to shift defence towards collective security

Collective security rather than the preservation of sole military superpower status should be the principal goal of US defence policy for the rest of the century, according to the Pentagon.

According to leaks of the 1994-99 Defence Planning Guidance, a prime goal should be to "strengthen and extend the system of defence arrangements that binds democratic and like-minded nations together". Page 16

Bernard Tapie, who resigned from the French cabinet on Saturday and is due to appear in court tomorrow to give evidence in a fraud case, is considering selling his controlling stake in Adidas, the German sportswear company. Page 19

Thai constitution: The Thai parliament moved to amend the constitution, reducing the influence of the armed forces, after the resignation of prime minister General Suchinda Kraprayoon. Page 16

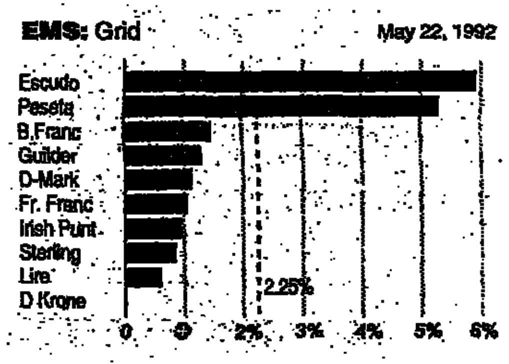
Lloyds Bank is attempting to delay Hongkong and Shanghai Banking Corporation's bid for Midland by lodging an objection with the Federal Reserve to HSBC's proposal to speed up the Fed's review of the bid. Page 17

EC energy tax: The EC's prospects of taking a strong programme on global warming to next week's Earth Summit in Rio dimmed because of delays in finalising details of the European energy tax. Page 16; Why Rio must deliver, Page 14

Alan Bond, bankrupt former Australian entrepreneur, pleaded not guilty to a charge of dishonestly inducing a businessman to take part in a A$370m ($280m) corporate rescue. Page 4

European monetary system: The Italian lira has had a bad week in the exchange rate mechanism, slipping back two places and ending second from bottom. Italy's political uncertainties have drained confidence in the lira, and there is speculation in the markets that the Italian authorities may resort to devaluation. By contrast, the French franc remains the star performer, nudging its central rate against the D-Mark of FFr3.3539. Sterling dropped to third from bottom of the grid last week, thanks to mixed UK economic indicators. But dealers believe the pound's steady uptrend against the D-Mark is intact, and that it could breach DM2.94 again this week. Currencies, Page 33

EMS: Grid — May 22, 1992



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. Currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling, the Spanish peseta and the Portuguese escudo operate with 6 per cent fluctuation bands.

EC research: The EC intends to release Ecu1bn ($1.24bn) of soft loans to encourage small and medium-sized companies to become involved in research projects. Page 3

Israel steps up raids: Israeli aircraft and helicopters blasted pro-Iranian Hizbollah militia in south Lebanon, the fifth attack in as many days. *Picture, Page 5*

Turkish peace plan: Turkey hopes to win Russian backing to resolve the crisis in the Caucasus. Ankara, which gained Nato support, believes only international action can curb what it sees as Armenia's expansionist ambitions. Page 2

Barcelona bombs: Barcelona's Olympic security chiefs were on red alert after a bomb hidden in a garbage bag exploded, injuring 15 people. A second bomb was detonated outside government offices.

Japan's seven trust banks suffered sharp falls in earnings for the year to March, because of thinner profit margins and falls in commission revenue. Page 19

Wellcome Group, British pharmaceutical company, will publish on June 4 the prospectus for its planned share issue, expected to be the largest by any privately owned British company. Page 17

Mexico's economic growth has continued to slow this year, prompting President Carlos Salinas de Gortari to predict annual growth of just 3 per cent, against the official government forecast of 4 per cent. Page 4

Philippine fast ends: Philippine presidential contender Miriam Santiago, heeding appeals from Roman Catholic leaders, ended her three-day *fast against alleged election fraud.*

Asko Deutsche Kaufhaus, German retailer, which expanded dramatically in the 1980s, will concentrate on key business areas and seek to cut debts after the departure of supervisory board chief Helmut Wagner. Page 19

Ghana deaths: At least 63 people were killed in clashes in northern Ghana which left villages burnt to the ground and sent scores of inhabitants fleeing the area.

Markets: The US and UK equity markets were closed yesterday because of national holidays.

Moslems flee a Serbian vision of ethnic purity

By Judy Dempsey in Zagreb

AS THE federal army and Serb irregulars continue to starve into submission the people of Sarajevo, the capital of Bosnia-Hercegovina, inhabitants of the *small town of Rudo are only now* beginning to feel the impact of ethnic war.

Located south-east of Sarajevo, Rudo's population of 12,000, three-quarters Serb and the rest *Moslem, peacefully co-existed* until May 21. That was when the White Eagles arrived.

The White Eagles are a fanatical armed Serb organisation, which appears determined to establish ethnically pure Serb areas in Bosnia-Hercegovina.

When they arrived in Rudo, Dr Jasmir Brajnanac, a 28-year-old doctor, and Moslem, decided it was time to leave. "I had no choice," she explained as she waited for help and accommodation from the Moslem Crisis Centre in Zagreb, the capital of Croatia.

"On May 21, the White Eagles demanded I take an oath of loyalty to Serbia and the new Yugoslavia. This was no simple oath. It involved agreeing to military conscription, a curfew, permission to leave the town, and using the health centre to treat Serb military personnel. I did not want to sign this piece of paper. I fled."

After two days and nights of travelling through forests and along side-roads, Ms Brajnanac reached Croatia, where she joined 238,480 refugees and displaced people from Bosnia-Hercegovina, and another quarter of a million made homeless or dis*placed by the war in Croatia.*

Ms Vesjna Camka, a Moslem born in Banja Luka, northern Bosnia, and who has also sought refuge in Zagreb, said those Moslems who remained behind in Bosnia were either the old or the young determined to fight for Bosnia's independence.

"The old are afraid to leave because they believe they will lose their pensions and apartments. Already, in Banja Luka, the Serbs are going through all the apartments in order to find out who is not a Serb," Ms Camka said. She added that many young Moslems had taken *to the forests to fight.*

Even in Croatia, attempts continue to carve out ethnically pure regions in eastern Slavonia, east of the republic, despite the deployment there 10 days ago of United Nations peacekeeping troops.

On Sunday night, 22 Croats from the village of Tovarnik, eastern Slavonia, were ordered out of their homes and on to a bus by Serb irregulars.

"This is a policy of ethnic cleansing," said Mr Mik Magnusson, the UN's chief spokesman in Croatia. "These Croats were pressurised by the Serbs to leave *their villages. We brought them* back to their homes. We will have to guard them. But as soon as we turn our backs, a bomb will be thrown at them."

The UN has neither the manpower nor the political clout to protect both Serbs and Croats who are caught up, not only in a war, but in the climate of revenge which now prevails in Croatia.

"Those Serbs who were forced by Croats to flee their homes from western Slavonia, central Croatia, are now being resettled [by Serbs] in houses in eastern Slavonia which were once inhabited by Croats," said Mr Magnusson.

EC to decide on curbs, Page 2

Collor under pressure to resign after new attacks

By Christina Lamb in Rio de Janeiro

BRAZIL'S financial markets took fright yesterday as pressure grew on President Fernando Collor to resign after allegations of corruption, extortion and cocaine.

The allegations were made by the president's younger brother, Pedro, in an extensive videotaped interview with the leading news magazine Veja.

Amid calls for a congressional inquiry and his impeachment, the president began legal action against his brother to "defend his honour".

The country's stock markets fell sharply as investors' fears mounted, the main index dropping 7.4 per cent. A broker in Sao Paulo described trading as "awful", adding: "The impact of the news published by Veja over the weekend was terrible." The *central bank was poised to intervene* to protect the currency.

The situation is especially embarrassing at it arises just a week before Mr Collor is due to open the Earth Summit in Rio, which more than 100 heads of state are expected to attend.

The crisis in Brazil's First Family began with a series of attacks by Mr Pedro Collor on Mr Paulo Cesar Farias (known as PC), the president's campaign treasurer and personal friend.

Pedro's revelation that he had compiled a video elaborating alleged frauds by Mr Farias, which he intended to hand over to the police, caused Brazilian stock markets to fall almost 10 per cent in real terms last week.

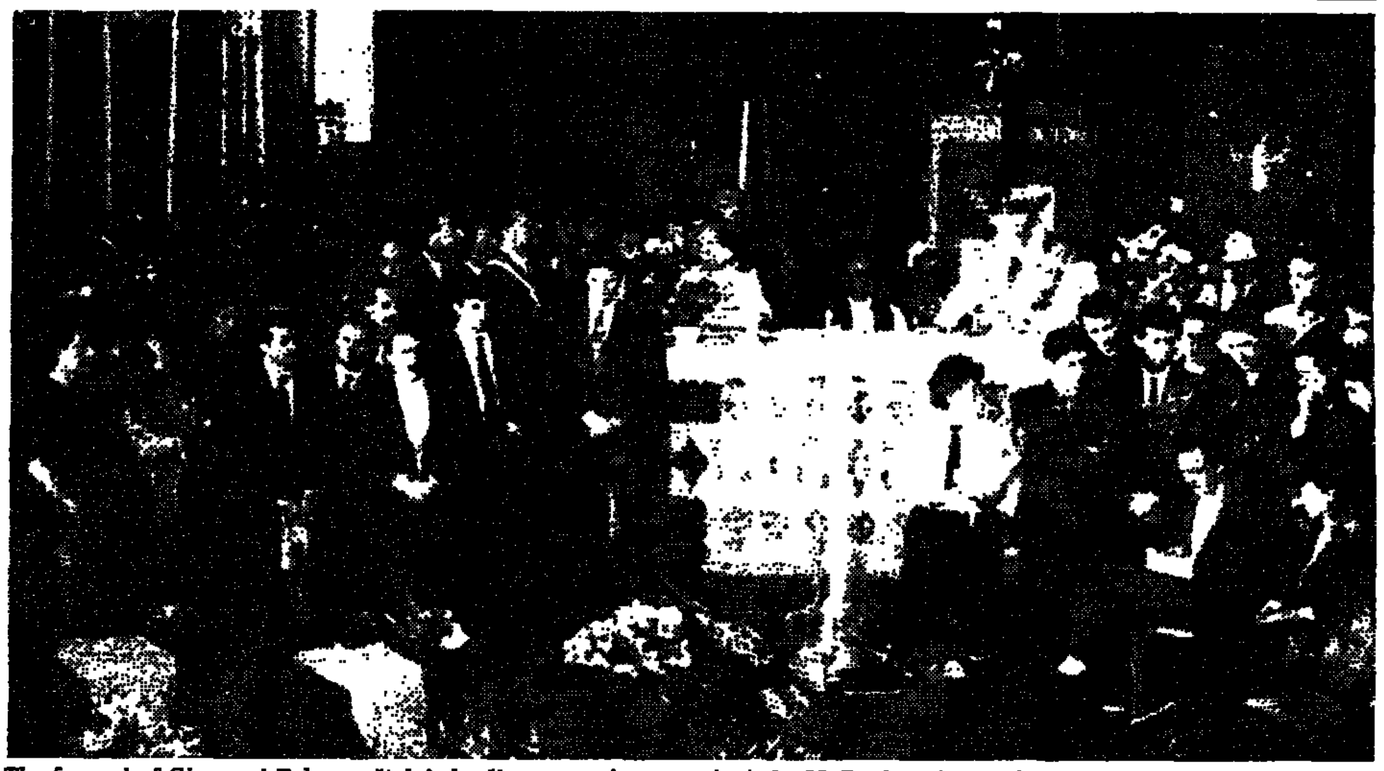
The row has split the Collor clan and after failing to silence her youngest son, Dona Leda, the family matriarch, last week dismissed him from running the Collor media empire, claiming that he was mentally unstable. A furious Pedro is undergoing psychiatric tests to prove his sanity and in the meantime has stepped up his attacks.

Pedro's latest allegations are directed at his presidential brother, whom he accuses of a range of alleged frauds, trying to seduce his wife and inducing him to snort cocaine. "Fernando was a heavy consumer of cocaine," he alleges.

A police investigation was opened into Mr Farias yesterday on the president's orders. An official statement issued by the presidency said Mr Collor was pre*pared to testify in court to the* investigation. Mr Collor added: "The 35m votes which elected me made me guardian of the country's institutions, which is far more important than personal pain."

Although Pedro has yet to present any evidence to back his allegations there is no doubt of the damage they are causing to the Collor government.

Mr Luis Inacio da Silva, leader of the Workers party and Mr Collor's rival for the presidency in the 1989 elections, said: "If even half the allegations are true the president should apologise to the Brazilian people and resign".



The funeral of Giovanni Falcone, Italy's leading campaigner against the Mafia, in Palermo Cathedral yesterday. Falcone, his wife and three police bodyguards died when a bomb exploded under their cars near the Sicilian capital on Saturday

Scalfaro is elected Italian president

By Robert Graham in Rome

ITALY'S two houses of parliament last night voted by a substantial majority to elect Mr Oscar Luigi Scalfaro, Speaker of the Chamber of Deputies, as the *country's ninth president.*

His election, ending lengthy political squabbling, took place against the sombre background of the funeral in Palermo of Mr Giovanni Falcone, the anti-Mafia magistrate assassinated at the weekend.

The 73-year-old Mr Scalfaro, a magistrate and veteran member of the Christian Democrat Party, emerged as a compromise candidate after 15 abortive attempts to elect a new head of state.

His election was made possible by the backing of the former communists, the Party of the Democratic Left (PDS). The PDS agreed to him after he was proposed by the Christian Demo*crats as an "institutional" candi*date to underline the need for thoroughgoing reform in Italy.

His first task will be to name a new government to replace the caretaker cabinet of Mr Giulio Andreotti, who resigned on April 24 after inconclusive general elections earlier in the month.

The broad party agreement behind Mr Scalfaro should enable the choice of a new government well beyond the outgoing four-party coalition of Christian Democrats, Socialists, Liberals and Social Democrats.

The new government is expected to have as its platform a *reform of Italy's proportional rep*resentational system, a review of the seven-year term and role of the president, and introduction of tough austerity measures to ensure Italy complies with the *conditions of economic conver*gence laid down in the Maastricht treaty on European union.

Mr Scalfaro polled 672 votes of the 1,002 votes cast in a joint session of the Italian parliament. It would have been difficult for the 16 parties in parliament to continue horse-trading much longer over the presidency, in view of the public mood since the Palermo magistrate's assassination.

*The public outcry at the mur*der has been directed as much against politicians as against the Mafia.

Mr Falcone was killed on Saturday evening along with his wife and three bodyguards when about a tonne of explosives was detonated under their three-car convoy near Palermo airport.

At his funeral, government members were jeered and jostled *as Sicilians vented their anger at* the vacuum of authority and the inability to protect Mr Falcone, who was known to be at the top of the Mafia's hit list.

UK property group failure adds to big banks' losses

By Simon London and Vanessa Houlder in London *and Peter Bruce in Madrid*

RECEIVERS were called in yesterday at Mountleigh, one of the UK's biggest property groups and owner of Spain's second biggest store chain, Galerias Preciados.

Mountleigh, which in the 1980s was one of the UK's most ambitious companies, owes £147m ($260m) to bondholders and about £400m to banks, led by Barclays of the UK and Citicorp of the US. Receivers and bankers could not quantify yesterday the losses likely to be suffered by the company's creditors.

However, its receivership has dealt another severe blow to banks operating in the UK, which expect to lose billions of pounds this year on their exposure to the UK property market.

Mountleigh's receivership was triggered by the collapse of attempts to raise funds by selling Merry Hill, a large shopping centre in the English Midlands, in order to repay SFr150m ($98.6m) due to Swiss bondholders tomorrow.

Interest payments on another bond issue were missed last week.

A meeting of directors on Saturday decided that the company could no longer fulfil its debt obligations and the main bank creditors, led by Barclays and Citicorp, were invited to appoint receivers. Mr Tim Hayward and Mr Stephen James of KPMG Peat Marwick, the accountancy firm, were appointed yesterday to the main UK holding company.

Other principal bankers are thought to include Bankers Trust of the US, Credit Lyonnais of France, Switzerland's Credit Suisse, Unibank of Denmark and three UK banks, Lloyds, National Westminster and Royal Bank of Scotland.

All the bank debt is secured on the assets. The receivers yesterday said Mountleigh's property portfolio was worth at least £400m.

Mr James said he expected Mountleigh's UK subsidiaries to follow the parent into receivership. However, receivers will probably not be appointed to Galerias Preciados. Bankers flew to Spain over the weekend to reassure the Spanish subsidiary that it would continue to receive their financial support. A potential buyer has already made an offer for the group, which last year had sales of $980m.

Yesterday, notices appeared in Swiss financial newspapers calling a meeting of bond holders on June 10. Mountleigh was planning to ask investors to defer all interest and principle repayments until July 31, when it hoped to be able to present a full debt restructuring plan.

However, the failure to reach agreement with secured bank creditors, which rank above bond holders in the event of winding up, meant that a full restucturing could not be achieved.

In the past three months, Olympia & York, the Canadian developer of Canary Wharf, Heron International, a UK property and trading group, Speyhawk, a UK developer, and Randsworth, a property investor, have all run into serious financial difficulties. Both Citicorp and Barclays have substantial exposures to many of these companies.

Property prodigy's end, Page 17

Austria	Sch30	Hungary	Ft192	Malta	Lm0.60	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils 500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

CONTENTS

NEWS: INTERNATIONAL

Kosovo elections raise risk of conflict

By Laura Silber in Prishtina

ETHNIC Albanian leaders of the southern Serbian province of Kosovo were forming a breakaway parliament yesterday following weekend elections, branded illegal by Belgrade.

Mr Ibrahim Rugova, the newly-elected president, who was also the only candidate, said the polls were a "chance to create democratic institutions which have legitimacy in Kosovo and on an international level".

The elections have raised the spectre of war in the province. Any violence there is likely to spill over into Moslem areas of southern Serbia, independence-seeking Macedonia, inhabited by some 700,000 Albanians, and into neighbouring Albania.

Kosovo's 1.9m Albanians fear sharing the fate of Croatia and Bosnia, where armed struggles with the Serb-led army have left thousands dead and 1m people displaced. They appear to be heeding the call of Mr Rugova to seek independence through non-violent means.

Serbia flatly rejects any discussion of independence for Kosovo. Serbs see the province, which is the seat of the Orthodox church, as the cradle of their civilisation.

Mr Slobodan Milosevic, president of Serbia, stripped Kosovo of its autonomy in 1989 and used the "plight" of the province's Serbs, outnumbered 10 to one, to ride to power on a nationalist wave.

Scores of Albanians were killed three years ago when Serbian police crushed rallies protesting against direct rule by Belgrade.

Since 1990 Serbia has dissolved the province's parliament and sacked more than 85,000 doctors, teachers and workers for refusing to sign a loyalty oath. Serbs now control Kosovo's police, media, hospitals and hotels. Schools have been segregated.

Human rights officials say some 250,000 Albanian pupils did not attend school this year.

EC set to decide on sanctions against Serbia

By Judy Dempsey in Zagreb

THE European Community will today decide whether to impose a comprehensive package of economic sanctions against Serbia in an effort to stop the fighting in the former Yugoslav republic of Bosnia-Hercegovina.

But western diplomats continue to caution against military intervention, and Russia still opposes mandatory sanctions by the United Nations.

The mounting international pressure on Serbia coincides with negotiations in Sarajevo, the Bosnian capital, on withdrawing Yugoslav federal army units from city's barracks.

Over the past three weeks, the army and Serb irregulars have prevented food, water, or medical supplies into the besieged city. Aid workers based in Zagreb, the Croatian capital, said inhabitants of Sarajevo are near starvation.

Yesterday, army units started withdrawing from one of the barracks, but Moslem forces prevented units from leaving two other barracks because the Serb-dominated army had apparently refused to surrender their weapons.

In Mostar, south-eastern Bosnia, Croat and Serb forces continued to fight for control of the city. The Moslem community, which makes up the majority of the population, has fled to neighbouring Croatia and other parts of Bosnia.

Today's EC meeting follows a move by the US and Canada to block landing rights for JAT, Yugoslav airlines, which is based in Belgrade, the Serbian capital. Both countries have recalled their ambassadors. EC countries recalled their ambassadors from Serbia last week.

Mr James Baker, US Secretary of State, is calling for tough sanctions against Serbia. Speaking in Lisbon at the end of an EC-sponsored conference on aid to former Soviet republics, Mr Baker told other countries to "stop looking for reasons not to take action.

"There are 35,000 diabetics now who have no insulin. There are 6,000 women and babies who have no medicine, baby formula or milk [in Sarajevo]," he told jounalists. "Anyone who is looking for a reason not to act, or arguing somehow that action in the face of this kind of nightmare is not warranted at this time...is on the wrong wavelength."

The EC is considering sanctions ranging from cutting sporting contacts to a full-scale trade embargo.

However, Mr Andrei Kozyrev, Russia's foreign minister, said the situation [in Bosnia-Hercegovina] does not call for one-sided or simplistic decisions." He was referring to Croatian attempts to seize parts of Bosnia-Hercegovina.

A fighter of the Bosnia territory defence force takes cover while his unit tries to enter the town of Modrica in Bosnia-Hercegovina. Modrica is believed to be in the hands of the Serb-dominated Yugoslav federal army

Russia holds key to Turkish regional peace hopes

By John Murray Brown in Moscow

MR Suleyman Demirel, Turkey's prime minister, hopes to leave Moscow today with Russian backing to resolve the deepening crisis in the Caucasus.

The Turkish leader has warned that without a cessation of hostilities between Armenia and Azerbaijan it would be impossible to hold next month's proposed peace talks in Minsk, as planned by the Conference on Security and Co-operation in Europe (CSCE).

Turkey won support from its Nato allies over the weekend, but Ankara now believes only international action can curb what it sees as Armenia's expansionist ambitions.

The outcome of today's meeting with Mr Boris Yeltsin, the Russian leader, could also affect the popularity of Mr Demirel at home where he has been criticised by opposition parties and the local press for his cautious approach to the dispute.

The conflict poses a big challenge to Turkey's ambitions as a regional leader, just three weeks after Mr Demirel's successful week-long tour through central Asia, where he sought to reaffirm Turkey's cultural, linguistic and religious links with the Turks of the region.

At the weekend Mr Demirel reiterated the Turkish charge that Armenia was in "flagrant violation" of CSCE principles.

The prime minister will have found President Turgut Ozal's recent suggestion to send Turkish troops to intervene unhelpful. But the leaders are under growing pressure to take some firm action amid Azeri claims that Armenian militia have stepped up attacks on positions in both Nagorno-Karabakh, the Armenian enclave in Azerbaijan, and Nakhichevan, the autonomous Azeri territory bordering Turkey and Iran.

Last month Russia signed a joint security pact with Armenia and four other former Soviet republics. Azerbaijan, meanwhile, is seeking to withdraw from the Commonwealth of Independent States.

Lisbon conference moves beyond emergency aid

Western donors cement links with CIS states

By Anthony Robinson and Patrick Blum in Lisbon

THE first formal meeting between the Commonwealth of Independent States (CIS) and a broad coalition of western donors has laid the foundations for a new, long-term economic partnership.

For the first time foreign ministers of the 12 post-Soviet independent states put forward their hopes and needs directly to officials from more than 60 donor states and a dozen international institutions during a European Community-sponsored conference in Lisbon.

The presence in town of representatives from the three warring factions of Bosnian Serbs, Croats and Moslems further underlined the scope for violent regional disintegration, evident in the dispute between Armenia and Azerbaijan over Nagorno-Karabakh. Russia, which in Czarist times saw itself as protector of the Serbs, is now working closely with the US and the EC to try to end the Bosnian fighting.

Mr Andrei Kozyrev, Russian foreign minister, left for Belgrade and Sarajevo after an intensive series of bilateral meetings and the signing on Saturday night of a strategic arms reduction (Start) protocol with the US and the three other nuclear CIS states - Belarus, Kazakhstan and Ukraine.

The EC, US, Japan and Russia also initialled an agreement to set up an international science and technology centre. This is expected to provide employment for former Soviet nuclear weapons specialists and concentrate on ways to reduce nuclear pollution.

Until now, aid to the former Soviet states has been extended on an emergency basis under plans agreed in Washington last January to avert the perceived risk of famine and chaos. At that time the emphasis was on emergency food and medical assistance in the form of demonstrative support for the new governments.

With maximum publicity the EC and the US sent aircraft laden largely with EC surplus foodstuffs and supplies left over from the Gulf war to selected cities.

Psychologically the aid effort appears to have been a success, although in practical terms the aid delivered was small and most of the \$86bn (£48.5bn) pledged by governments and institutions remains on paper.

The Lisbon conference sought to move beyond emergency aid to discuss channelling funds and expertise in a co-ordinated fashion, designed to help recipients increase their capacity to absorb aid effectively. A third meeting will take place in Tokyo in the autumn to refine further the bilateral and multilateral aid programmes.

The potential for building a mutually beneficial partnership was underlined by Mr Michel Camdessus, managing director of the International Monetary Fund. He calculated that if growth in eastern Europe and the former Soviet Union reached 4 per cent in the medium term, 1.8 percentage points would be added to world economic growth.

But Mr Camdessus emphasised steady growth would not be achieved without "bold and comprehensive" action by recipient countries to build a new legal framework for private enterprise and privatisation.

Much of the credit for the more confident tone of the Lisbon meeting is attributable to the speed with which the former Soviet states have been accepted into the IMF, the World Bank and other international financial institutions.

The IMF alone expects to provide \$25bn-\$30bn to the 15 states over the next four to five years. But its main contribution will be in provision of expertise in areas like central banking and monetary policy, tax and budget reforms, financial statistics and macro-economic guidance.

The way in which the Bretton Woods institutions and the newly created European Bank for Reconstruction and Development (EBRD) have assumed the main burden of both technical and financial assistance since the original Washington conference has reduced a potential conflict between the European Community and the US over who should provide "leadership" during the traumatic period of transition.

Mr James Baker, US secretary of state, emphasised the global nature of the coalition now being formed to help the former Soviet states. He praised Venezuela and spoke of the way the US was developing a close partnership with Turkey "to promote free markets and democracy in the Caucasus and central Asia".

Japan also underlined its special interest in the development of the central Asian republics. Whether Tokyo uses the tentatively scheduled October follow-up conference to raise its relatively modest \$2.5bn aid contribution, however, largely depends on whether Russia and Japan can resolve their long-standing dispute over sovereignty of the Kuril islands.

THE World Bank will lend \$1.5bn (£840m) to the Commonwealth of Independent States (CIS) this year for industrial development, a senior bank official said yesterday, Reuter reports from Kuala Lumpur.

Mr Peter Nore, head of the gas and oil group in the management assistance programme of the World Bank's energy sector, said conditions would be attached to the funds but he declined to elaborate. The CIS joined the World Bank last month.

Mr Nore, who is attending a conference on liquefied natural gas in Malaysia, said part of the money would be used to develop the CIS oil and gas sectors.

He said the 15 former Soviet republics were desperate for capital to replace equipment in the oil and gas sectors, although gas production had not fallen after the break-up of the Soviet Union.

West German industry in sombre mood

By Quentin Peel in Bonn

THE MOOD in west Germany's manufacturing industry has grown more pessimistic about the country's immediate economic prospects in spite of better-than-expected gross domestic product figures for the first quarter.

The results of the latest survey of business opinion by the Munich-based economics institute, Ifo, showed no expectation of an early recovery in exports. This view contrasts with a rather bullish economic assessment by Mr Jürgen Möllemann, the economics minister.

On the other hand, Ifo reported an appreciable improvement in the business mood in east Germany, where production is said to have stabilised. The most optimistic sector of all, predictably, is the east German construction industry, helped by big transfers of public and private funds from the west to revive the economy.

The details were published yesterday as the main German public sector union, the ÖTV, formally agreed to call off strike action in spite of a union ballot rejecting a 5.4 per cent pay award.

That piece of news, along with Mr Möllemann's estimate of a 2.5-3.0 per cent GDP growth in the first quarter, boosted German financial markets, although the longer-term scenario still looks gloomy.

Last week's 5.8 per cent pay deal by IG Metall, the engineering workers' union, has lifted the storm clouds of industrial conflict from the economy, but that has yet to show through in business confidence. Indeed, the business community is clearly concerned at the level of the award – immediately adopted in both construction and printing industries – even though relieved there will be no widespread strike action.

In his monthly commentary, Mr Möllemann said although the wage deals "went far beyond the improvement in productivity," they should at least remove uncertainty from enterprise planning.

● Mr Helmut Schlesinger, the Bundesbank president, said he saw no chance of a cut in German interest rates incurrent economic conditions, Reuter adds from Frankfurt.

Mr Schlesinger said inflation was still running too high and wage increases, although lower than in 1991, were still steep and could not be compensated by increases in productivity. "Under these circumstances, there is no chance to reduce interest rates at this moment," he said.

He expressed optimism that west German inflation could fall under 4 per cent by the end of the year. West German inflation was running at a rate of 4.6 per cent in April.

He noted that west German wage increases also had an impact on east German wage levels.

"The rise in wages is clearly lower than last year. . . but wage rises of between 5.5 per cent and 6 per cent. . . are still comparatively high," Mr Schlesinger said, adding that wage increases of this size could not be compensated for by productivity gains either in the west or in the east.

Gregor Gysi: satisfied

Top-level attempt to reach an accord follows poor support from voters in Berlin

Leaders to meet over cost of unification

By Quentin Peel

MR Helmut Kohl, the German chancellor, and Mr Björn Engholm, leader of the opposition Social Democrats (SPD), will attempt at top-level talks tomorrow to cobble together a basic understanding on financing the rising costs of German unification.

Both sought yesterday to present themselves as open-minded and ready to compromise after their respective parties – Mr Kohl's Christian Democratic Union (CDU) and the SPD, its main national rival – suffered a humiliating drain of support in Sunday's local council elections in Berlin.

At the same time both men firmly ruled out any talk of a "grand coalition" to deal with the country's financial squeeze.

The Berlin results showed widespread dissatisfaction with the two big national parties, large-scale abstention (the total turnout was at a post-war low of 61.2 per cent), and a drift to more extreme parties on the left and right. Opponents of a grand coalition in Bonn point to the fact that the Berlin backlash is aimed precisely at such a ruling coalition in the city senate.

The biggest beneficiary of the Berlin result was the Party of Democratic Socialism (PDS), the renamed former Socialist Unity party, alias the Communist party of East Germany, which won 11.3 per cent of the total vote, and 29.7 per cent in the districts of former East Berlin.

Mr Gregor Gysi, leader of the PDS, said he was satisfied with his party's recovery, which proved that it could no longer be ignored at local and national level.

All the established parties voiced relief that the extreme right-wing Republicans only managed to achieve 8.3 per cent of the overall vote, short of the 10 per cent which had been forecast in opinion polls. They won only 5.4 per cent of the vote in east Berlin, but in the west of the city managed 9.9 per cent.

Mr Kohl's CDU slumped in east Berlin to 14.3 per cent of support, although it managed to top the poll in the west with 35 per cent: overall it lay second to the SPD, which won a constant 31.8 per cent on both sides of the former Berlin Wall. Indeed, the SPD was the only party whose support suggested that east and west Berlin were both parts of a single political system.

The Berlin results confirmed a growing disenchantment with the main political parties in Bonn, refocusing attention on tomorrow's talks.

In an interview with the German press agency (DPA), Mr Kohl said yesterday that he was prepared to discuss "quite openly all the different proposals". While he rejected the latest call, by federal President Richard von Weizsäcker, for a wealth tax to finance the cost of unification, he no longer sought to limit the forthcoming debate.

"We must find a medium-term and long-term solution, a solution based on reason, to the financing problems of the union, the federal states and the local authorities," he said.

Mercedes breaks production mould in race to beat Japanese

By Christopher Parkes in Rastatt

MERCEDES-BENZ yesterday launched its response to encroaching Japanese quality car makers, unveiling its third – and possibly its last – car factory on German soil. It did so with an unashamed display of self-esteem and claims that those who charge that Germany is losing its ability to compete should think again.

The Rastatt works, situated close to the border with Alsace, is "surely and simply the most up-to-date automotive factory in the world," said Mr Werner Niefer, chief executive of the Daimler-Benz vehicles subsidiary.

Its hallmarks were lean production and lean management. Not copied from the Japanese or the Scandinavians, Mr Niefer said, but entirely "made in Germany".

Flexible team working is the key element in the new manufacturing process. Groups of 10 to 15 people plan their working schedules, mend their tools and equipment, swap jobs when they choose and take collective responsibility for the end product.

Rastatt has no conventional assembly line. Nor does it have a car park by the loading bay, common in German car plants, where quality defects are corrected. "Quality is not brought about by subsequent inspection," Mr Niefer said. "Quality is produced."

The aim is to reduce production costs by up to 25 per cent, and to introduce the lessons learnt, techniques tested and savings made at Rastatt into the group's other factories in nearby Sindelfingen and Bremen in the north. However, according to Mr Niefer, the company's cars are unlikely to become cheaper. "We will try to make sure they do not become more expensive," was the most he could offer.

In the long term, he believed the company could outstrip the performance of its Japanese competitors. He added, however, they had access to cheaper capital and benefited from longer working hours. These factors accounted for an estimated 10 per cent of their cost advantage, and German companies could do nothing to counter them.

The Rastatt plant, opening after eight years' planning and battles with environmentalists, will be steadily extended over the next two years. Output will rise from this year's target of 80 mid-range Mercedes a day to 360 by the end of 1996.

Investment will climb from the DM500m (£170m) spent so far to more than DM2bn.

Austria prepares for political fall-out after poll

Eric Frey on the presidential election which started with a whimper and ended with a bang

THE Austrian presidential elections started with a whimper and ended with a bang.

A campaign devoid of controversy resulted in a political earthquake at the weekend when Mr Thomas Klestil of the conservative People's party defeated his Social Democratic opponent, Mr Rudolf Streicher, with the largest margin ever.

Mr Klestil, a career diplomat, scored 56.85 per cent in the run-off against 43.15 per cent for Mr Streicher. Mr Klestil swept all nine federal states, including the city of Vienna, a traditional socialist stronghold.

The outcome of the vote is a big setback for Chancellor Franz Vranitzky's Social Democratic party, which had counted on an easy victory when it nominated a hesitant Mr Streicher, the popular minister of transportation, as its candidate for the largely ceremonial post.

Mr Streicher was still ahead of Mr Klestil by a narrow margin in the first round of voting on April 26, but in the following weeks his campaign petered out. In contrast to the Social Democrat's lacklustre performance, a spirited Mr Klestil flourished on the campaign trail and managed to present himself as the candidate who was above party ties.

The failure of Mr Streicher to mobilise the Social Democratic party base points to structural problems in the leftist camp – the vote was largely a triumph of image over traditional party loyalties. According to surveys, voters believed that Mr Klestil, a former ambassador to the United Nations and US, would be best suited to repair Austria's relations with many western countries following the damage of Mr Kurt Waldheim's six-year term in office.

Mr Waldheim had been shunned by the US and many EC countries following allegations that he lied about his activities as a German officer during the Second World War. Mr Klestil is planning a sweep through all leading western capitals to improve Austria's image and boost its chances for EC membership.

The election result is not likely to have an immediate effect on the grand coalition between the Social Democrats and the People's party, but the long-term fall-out could be substantial. Mr Klestil's victory has given a much-needed boost to the People's party, which had suffered a string of embarrassing losses at the hands of the right-wing Freedom party and its populist leader, Mr Jörg Haider.

Mr Haider gave a qualified endorsement to Mr Klestil after his own candidate was placed a distant third in the first round, fuelling speculation after the poll that the election could lay the ground for a coalition between the two conservative parties.

Mr Erhard Busek, chairman of the People's party, remains a stalwart supporter of a grand coalition. His hand has been strengthened by the performance of his candidate.

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EC loan plan for research

By Andrew Hill in Seville

THE European Commission intends to release about Ecu1bn (£700m) of soft loans to encourage small and medium-sized companies to get involved in EC research projects over the next five years.

Mr Filippo Maria Pandolfi, EC research commissioner, yesterday fleshed out plans to provide venture capital for smaller businesses as part of the EC's fourth framework programme for research and development.

The Commission would like approval for an increase in total research funding from Ecu2.4bn to Ecu4.2bn in 1997, concentrated on certain key technologies. Mr Pandolfi said funding for 1993-97 should also include Ecu100m of funds to underpin low-interest loans from financial institutions.

CAP reform may help break Uruguay Round deadlock

Baker to join EC trade talks

By David Dodwell, World Trade Editor

TRADE NEGOTIATORS from the US and the EC will meet in Washington tomorrow in a test of whether last week's EC farm reforms can provide a basis for breaking a long-standing deadlock in the Uruguay Round of talks on world trade liberalisation.

Mr James Baker, US secretary of state, will for the first time join negotiations, which will tackle differences on farm trade, trade in services, and on market access. *The EC yesterday* described his entry into the talks as "significant", suggesting the US is giving high priority to finding a settlement.

EC agreement on reform of its common agricultural policy (CAP) after four days of negotiation last week, has raised hopes of a breakthrough on farm trade, over which *the US and the EC* have been at loggerheads for five months. US officials have persistently complained that they could not negotiate with an EC which was constantly changing its position on farm trade. The CAP reform agreement gives the EC the consensus the US demands.

However, EC negotiators have also made it clear that the CAP reform package is a "take it or leave it" deal in which further EC concessions cannot be expected.

The main EC concession is to cut wheat prices by 29 per cent over three years. This far exceeds US demands that EC domestic price supports for wheat should be cut by 20 per cent. It is also expected to lead to deep cuts in subsidised farm exports. The US has been demanding a 24 per cent cut in the volume of subsidised exports, and a 36 per cent cut in value terms.

The EC wants the US to accept that the compensation payments to farmers, agreed under the CAP reform, do not distort production. It also wants the US to restrain exports of cereal substitutes.

Reuter adds: In St Gallen, Switzerland, Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade, yesterday warned that the latest deadline to conclude the Uruguay Round talks this year might not be met.

"We are already dangerously close to missing the target of concluding the round by the end of this year, not to speak of the implementation date of 1 January 1993," Mr Dunkel said.

He said an understanding between the EC and US on agriculture was not the key to success in the round. "Given the multilateral nature of the negotiations and the stakes involved for each of its 108 participants, a US-EC understanding on agriculture, or on any other subject, cannot by itself be enough," he said.

Time for a Gatt deal, Page 14

Bond pleads not guilty to Perth dishonesty charge

By Kevin Brown in Perth

MR Alan Bond, the bankrupt former Australian entrepreneur, yesterday pleaded not guilty in a Western Australian court to a charge of dishonestly inducing a businessman to take part in a A$370m (£158m) corporate rescue.

The charges relate to a 1987 attempt by the Western Australian state government and business community to rescue the Perth-based Rothwells merchant bank, run by Mr Laurie Connell.

Mr Bond, former chairman of Bond Corporation Holdings, is alleged to have persuaded Mr Brian Coppin, a Perth businessman, to subscribe for shares in Rothwells without disclosing that Bond Corp *would earn an A$16m fee for* helping to arrange the rescue.

Mr Coppin said he was approached by Mr Bond to subscribe A$20m to the Rothwells rescue, subsequently reduced to A$8m.

He said his commitment was finalised at 7am on Monday October 26 1987. But he was not told of Bond Corp's fee until November 14.

Mr Connell said he had resisted requests for fees totalling A$30m from Mr Bond and another businessman who helped arrange the rescue. He later agreed a personal liability for A$16m to Bond Corp.

The Rothwells crisis followed the worldwide stock market collapse in October 1987, when *the bank's deposits came* under pressure. Bond Corp helped put together a refinancing deal in which Mr Connell contributed A$70m in subordinated debt, backed by a A$150m share issue and a state government indemnity for A$150m against a loan facility provided by National Australia Bank.

Rothwells collapsed in November 1988, and is the focus of a royal commission inquiry into relationships between politicians and businessmen in Western Australia.

The trial, which is expected to last all week, follows a declaration of bankruptcy against Mr Bond last month.

NEWS IN BRIEF

Japan's store sales fall 2%

JAPAN'S department store sales *fell 2 per cent in April,* compared with the same month last year, reflecting a weakness in consumer spending that could delay an expected recovery in economic growth, writes Robert Thomson in Tokyo.

Meanwhile, motor vehicle production for the month was 2.7 per cent lower than a year earlier, although output of passenger cars rose by 0.2 per cent, indicating that the weak domestic car market could have touched bottom.

The Japan Automobile Manufacturers' Association said the largest fall was in the trucks, where production was down 10.8 per cent, apparently because of cuts in investment by Japanese industry.

Hopes for Sudan peace

Colonel Mohamed al-Amin Khalifa, Sudan's chief negotiator in peace talks with southern rebels, yesterday said he was confident an end to one of Africa's longest-running civil wars was near, Reuter reports from Khartoum.

He said the government was serious about the talks opening in the Nigerian capital *Abuja today.*

Sri Lanka defence levy up

Sri Lanka's government has raised from 1 to 3 per cent the defence levy on imports and local goods to help finance defence spending, expected to reach Rs18.5bn ($425m) this year, writes Mervyn de Silva in Colombo.

China-Taiwan trade surges

Trade between Taiwan and China through Hong Kong surged 37.9 per cent from a year earlier to $1.5bn in the first quarter of 1992, Reuter reports from Taipei.

The Board of Foreign Trade expects business to continue *expanding rapidly on the back* of a flow of Taiwanese industrial investment into China.

India expels envoys

India yesterday expelled two Pakistani diplomats in response to the beating up of one of its own diplomats in Islamabad, the Pakistani capital, David Housego writes from New Delhi.

US to send Haitians home

By Jurek Martin in Washington

LEGAL challenges were planned yesterday to the latest US order requiring *its* Coast Guard forcibly to return fleeing Haitian boat people.

President George Bush issued *the directive on Sunday,* saying that US facilities at its Guantanamo naval base in Cuba were being swamped by *the flow of Haitian refugees* – now estimated to exceed 12,000, and raising fears that southern Florida would also be overwhelmed. He thus reversed an earlier decision last Thursday ordering that Haitian boats not be intercepted.

Human *rights* and legal groups representing Haitian refugees objected that forcibly returning the Haitians without first ascertaining their right to asylum in the US was a violation of international law. Congressman Stephen Solarz, the *New York Democrat, yesterday* called the US decision a cruel move that "betrays our most fundamental values".

The White House cast its action in humanitarian terms, saying many of the boats were patently unseaworthy and it was continuing to screen asylum petitions, mostly in Guantanamo but also in Haiti itself. It said that since last September's coup, about 9,000 out of 34,000 applications for asylum had been processed and 6,000 US residency permits granted.

However, US policy has been to deter Haitians from fleeing their island.

Afghan leaders' peace deal

AFGHANISTAN'S two warring guerrilla leaders emerged from talks yesterday saying they had agreed on a lasting peace, Reuter reports from Pul-e-Charki, Afghanistan.

New defence minister Ahmad Shah Masood and fundamentalist guerrilla chief Gulbuddin Hekmatyar promised no return to the open warfare which erupted in Kabul after the overthrow of former Soviet-backed President Najibullah last month.

The two men spent seven hours in a tent in a dusty gully 10km from Kabul, accompanied by mediators from Saudi Arabia and Pakistan, before emerging to declare agreement. They then joined together in Moslem prayers.

Guerrillas from both men's forces stationed nearby lit up the sky over Kabul with celebratory gunfire as news of the peace agreement spread.

Mediators announced they had reached a pact between the two men last week, but that document was vaguely-worded and attempts to bring them together were repeatedly cancelled by officials citing security worries.

Yesterday's talks were held on territory *held* by Mr Hekmatyar's Hezb-i-Islami forces, in a spot ringed by heavily-armed and nervous guerrillas. His guerrillas were forced out of Kabul to its southern fringes in the battles of late April and early May.

Israelis hit Lebanese villages

By Lara Marlowe in Beirut, Hugh Carnegy in Jerusalem and Agencies

ISRAELI aircraft bombed Lebanese territory yesterday for the fifth time in as many days, killing two small girls and their parents and wounding six other people. The raids were on Shia Moslem villages dominated by the pro-Iranian *Hizbollah militia.*

Prime Minister Yitzhak Shamir vowed Israel would continue to hit Hizbollah targets *until guerrillas halted attacks* on Israel's self-declared border security zone in Lebanon.

The latest violence has raised speculation that Israel might launch a "limited war" against Syria, which has 35,000 troops in Lebanon and is accused by Israel of arming and supporting Hizbollah. Syria accused Israel of trying to kill the Mideast peace talks.

About 14,000 people have abandoned homes in southern Lebanon and the Bekaa Valley for fear of Israeli attacks.

Nabil Kawouk, a Shia Moslem cleric of the pro-Iranian Hizbollah militia, inspects damage after an Israeli bombing raid on Jibsheet, Dardghaya and Majdal Silim villages in southern Lebanon

Kurdish vote leads to show of unity

Political leaders bargained over post-election deals, writes **Gareth Smyth** in Dahuk

IRAQI KURDISTAN'S first free elections reached almost farcical levels even before the ballot papers were counted.

It was never going to be perfect. There was no electoral register – hence the importance of marking-ink to prevent people *voting* more than once – because of the dislocation of Iraqi society.

The Iran-Iraq war of 1980-88 was fought partly on Kurdish soil and culminated in the Iraqi government's use of chemical weapons against Peshmerga guerrillas and civilians. Thousands of villages were razed and perhaps as many as 180,000 civilians "disappeared" in the late 1980s during a pogrom by Iraqi President Saddam Hussein.

Then in 1991 thousands of Kurds fled to the mountains as Saddam regained strength after being driven out of Kuwait by the western allies.

Against this backdrop, widows, orphans, refugee families and Kalashnikov-bearing guerrillas queued on May 19 to place their mark on ballot papers bearing the coloured flags of the Kurdish parties.

Between the close of polling at midnight and the broadcast outcome on Friday, politicians bargained over post-election deals in return for accepting the propriety of the poll.

Occasionally they called in judge *Amier Hawesy,* a stern-faced relic from the days of rule from Baghdad and now the "neutral" head of the electoral commission. When he gave reporters the figures for seats in the new assembly, he was genuinely surprised to be asked for numbers of votes.

The Kurds voted against Saddam and for peace. It was less important that Mr Massoud Barzani's Kurdistan Democatic party (KDP) was eventually put at 45.4 per cent and Mr Jalal Talabani's Patriotic Union of Kurdistan (PUK) at *43.9 per cent in the assembly* elections – or that Mr Barzani was ahead by a slightly larger margin in an election for president, which failed to achieve a definite outcome as no-one reached 50 per cent.

The KDP forfeited a two-seat lead over the PUK, giving away one seat to its rival to make them level. The need for unity was greater than the desire for victory.

Even the small parties, none of which reached the 7 per cent threshold for representation, would be included in the *assembly's executive.*

Emerging arm-in-arm from the crucial summit at Shaklawa on Friday, Mr Barzani and Mr Talabani verged on the theatrical. But the ostensible political differences between the KDP's "autonomy" and the PUK's "self-determination with Iraq" were exaggerated for election purposes.

There is a shared appreciation of the considerable problems facing the new administration created to fill the vacuum left by Mr Saddam's withdrawal from the region.

Inflation has been rampant. A day's work in the fields is needed to buy a kilo of rice or a can of Turkish beer: two weeks' work will buy a pair of good shoes. While basic requirements filter through the UN embargo on Iraq and the Iraqi embargo on Kurdistan, there are widespread shortages.

Saddam has a 100,000-strong army just south of Kurdish-held territory. The debris of burnt-out Iraqi heavy armour littering the road north of Salahuddin is evidence of guerrilla prowess with anti-tank weapons, but defence against helicopter gunships would rely on the allied air cover operating north of the 36th parallel from the Incerlik Nato base in south-east Turkey.

*An autonomous Iraqi Kurdi*stan is land-locked and without regional allies. The Kurdish leadership eagerly seizes on any hint that the US, Turkey or Iran are becoming more supportive.

As the election fuels Kurdish aspirations in Turkey and Iran, KDP and PUK leaders are expected to attend next month's Vienna conference of the various Iraqi opposition groupings: this, they hope, will please the US.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

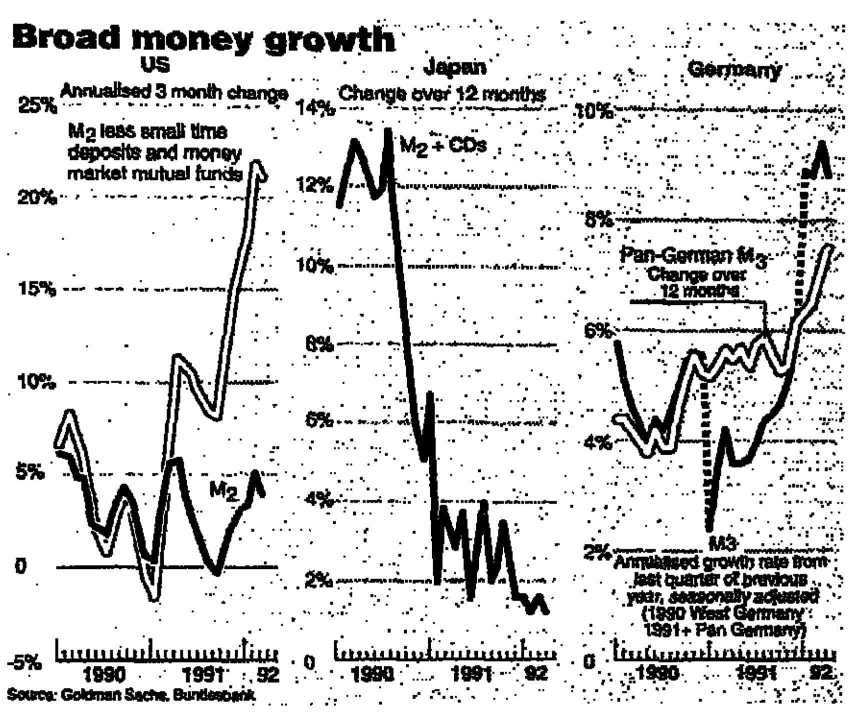
This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

	UNITED STATES					JAPAN					GERMANY				
	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	9.2	9.1	8.00	10.59	n.a.	5.0	8.4	6.62	6.51	n.a.	4.4	5.1	5.45	6.94	n.a.
1986	12.3	8.3	6.49	7.67	3.43	6.9	8.7	5.12	5.35	0.84	9.9	8.3	4.64	5.90	1.79
1987	11.6	6.5	6.82	8.39	3.12	10.5	10.4	4.15	4.64	0.55	9.0	7.3	4.03	6.14	2.21
1988	4.3	5.4	7.65	8.84	3.61	8.4	11.2	4.42	4.77	0.54	9.8	6.4	4.34	6.48	2.61
1989	0.9	3.8	8.99	8.49	3.43	4.1	9.9	5.31	5.22	0.48	6.3	5.7	7.11	6.94	2.22
1990	3.7	5.4	8.06	8.54	3.60	2.6	11.7	7.62	6.91	0.65	4.5	4.5	8.49	8.71	2.11
1991	6.0	3.2	5.87	7.85	3.21	5.2	3.6	7.21	6.37	0.75	5.2	5.6	9.25	8.44	2.38
2nd qtr.1991	5.3	3.6	6.03	8.12	3.18	3.3	3.7	7.70	6.66	0.71	5.0	5.6	9.11	8.37	2.25
3rd qtr.1991	6.1	2.8	5.79	7.95	3.10	6.6	2.8	7.11	6.44	0.76	5.3	5.8	9.24	8.52	2.31
4th qtr.1991	8.0	2.8	5.00	7.34	3.09	8.5	2.2	6.11	5.88	0.76	4.2	5.6	9.47	8.29	2.45
1st qtr.1992	11.0	2.9	4.17	7.29	2.90	7.6	1.7	5.01	5.49	0.88	4.3	6.6	9.62	7.91	2.31
May 1991	5.5	3.7	5.92	8.07	3.20	3.2	3.6	7.72	6.60	0.71	5.4	5.7	9.08	8.37	2.52
June	5.9	3.6	6.10	8.27	3.17	6.6	3.7	7.63	6.73	0.72	5.1	5.4	9.06	8.34	2.18
July	6.2	3.2	6.05	8.27	3.14	6.1	3.4	7.45	6.67	0.75	6.9	5.8	9.15	8.59	2.29
August	6.2	2.8	5.72	7.90	3.07	7.2	2.7	7.21	6.46	0.77	4.8	5.9	9.31	8.54	2.32
September	6.0	2.4	5.58	7.66	3.08	6.4	2.2	6.64	6.18	0.76	5.0	5.6	9.27	8.42	2.31
October	7.1	2.5	5.34	7.52	3.09	7.5	2.1	6.30	5.96	0.72	4.8	5.3	9.36	8.31	2.41
November	8.2	2.9	4.98	7.41	3.09	9.3	2.4	6.09	5.96	0.75	4.1	5.4	9.43	8.32	2.42
December	8.7	3.0	4.67	7.08	3.08	8.8	2.0	5.94	5.72	0.81	3.7	6.1	9.61	8.24	2.52
January 1992	10.2	3.1	4.09	7.02	2.87	7.6	1.8	5.15	5.45	0.83	3.9	6.3	9.54	7.91	2.39
February	11.3	3.1	4.11	7.33	2.90	7.8	1.6	5.05	5.53	0.87	4.1	6.5	9.61	7.88	2.30
March	11.5	2.6	4.29	7.52	2.94	7.5	1.8	4.84	5.51	0.93	4.9	7.0	9.70	7.94	2.25
April	11.9	2.2	4.04	7.47	2.97	7.4	1.6	4.59	5.68	1.06	7.0	7.5	9.75	7.94	2.26

	FRANCE					ITALY					UNITED KINGDOM				
	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	6.2	7.4	10.03	11.74	n.a.	13.7	14.0	14.34	13.71	n.a.	4.7	13.2	12.32	11.03	n.a.
1986	6.9	6.8	7.79	8.74	2.65	10.4	9.0	13.25	11.47	1.41	4.0	15.3	11.02	9.97	4.35
1987	4.1	10.0	8.28	9.46	2.75	10.5	11.0	11.32	10.58	1.94	4.7	14.6	9.77	9.52	3.60
1988	4.0	8.6	7.94	9.08	3.69	7.5	8.1	11.24	10.54	2.71	6.8	17.0	10.41	9.69	4.48
1989	8.0	9.5	9.39	8.79	2.88	8.1	10.1	12.41	11.61	2.46	5.9	17.7	13.96	10.30	4.36
1990	3.8	9.0	10.32	9.92	3.19	9.0	9.6	11.98	11.87	2.84	5.4	16.2	14.82	11.53	5.07
1991	−5.6	2.2	9.62	9.03	3.58	9.7	6.0	11.83	13.20	3.45	2.4	8.2	11.58	10.04	4.97
2nd qtr.1991	−0.3	6.4	9.43	8.95	3.48	10.2	6.4	11.61	13.23	3.21	1.6	8.9	11.64	10.30	4.84
3rd qtr.1991	−2.1	5.4	9.54	9.05	3.60	9.8	5.5	11.60	13.29	3.31	2.0	7.2	10.82	9.97	4.80
4th qtr.1991	−5.6	2.2	9.66	8.80	3.61	9.4	4.6	11.84	12.92	3.59	2.8	6.2	10.61	9.72	5.03
1st qtr.1992	−1.6	3.3	10.05	8.48	3.40	11.6	7.8	12.04	12.65	3.40	2.2	6.0	10.61	9.50	5.00
1991 May	1.2	7.3	9.24	8.88	3.44	13.2	8.2	11.39	13.10	3.24	1.6	9.2	11.59	10.32	4.85
June	−0.3	6.4	9.72	9.11	3.53	8.6	5.4	11.40	13.10	3.02	1.9	7.9	11.30	10.53	4.96
July	−0.5	6.4	9.59	9.16	3.69	9.9	5.7	11.54	13.35	3.24	2.1	7.7	11.14	10.24	4.91
August	2.7	6.9	9.59	9.09	3.62	10.5	5.7	11.69	13.43	3.31	1.6	7.2	10.94	10.00	4.78
September	−2.1	5.4	9.43	8.88	3.47	9.2	5.0	11.56	13.08	3.39	2.3	6.7	10.37	9.66	4.73
October	−3.1	4.2	9.32	8.78	3.50	10.4	5.4	11.40	12.83	3.51	2.6	6.5	10.45	9.72	4.83
November	0.8	4.9	9.56	8.82	3.56	13.8	8.9	11.66	12.92	3.58	2.9	5.8	10.54	9.77	5.00
December	−5.6	2.2	10.10	8.81	3.77	4.6	1.8	12.47	13.03	3.67	3.0	6.3	10.84	9.68	5.25
1992 January	−2.6	3.5	9.99	8.40	3.49	17.5	8.6	11.97	12.71	3.37	2.1	6.3	10.71	9.49	5.00
February	−2.0	3.6	10.06	8.44	3.40	8.8	7.5	12.04	12.62	3.31	2.2	8.0	10.44	9.34	4.94
March	−1.6	3.3	10.12	8.56	3.31	8.5	7.3	12.10	12.59	3.49	2.2	5.7	10.67	9.66	5.04
April			10.04	8.67	3.37			12.24	12.71	3.51	2.3	5.7	10.66	9.41	4.91

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. **Interest rates:** short-term: period averages of; US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-Lira, UK – 3-month Libor. long-term: period average yields on ten year benchmark government bonds. Interest rates supplied by Datastream. **Equity market yield:** period averages of the gross dividend yield on the relevant FT-A world index.

Broad money growth



Source: Goldman Sachs, Bundesbank

Misleading messages from monetary aggregates

A POPULAR myth peddled by so-called "post-Keynesian" economists argues that the trade-off between unemployment and inflation – if it ever existed – has disappeared. But for monetary policy-makers, this trade-off is very much alive. Too great an easing of monetary policy by the US Federal Reserve may yet turn a sluggish recovery into rapid growth and accelerating inflation. The Bank of Japan has faced the opposite risk: too little, too late may have already transformed a gentle slowdown into a western-style deflation.

The job of these monetary policy-makers is tricky because of the very long and unpredictable lags between changes in interest rates and their effect on economic activity. But policy is doubly difficult to judge at present because of the erratic behaviour of the central bankers' favoured leading indicators of future inflation: the growth of broad monetary aggregates.

In the US, the narrow monetary aggregate labelled M1 – mainly notes, coins and non-interest bearing current accounts – has accelerated rapidly over the past six months. Yet broad money (M2), which also includes a variety of interest-bearing time deposits, is still growing very slowly, and is barely above the lower limit of the Fed's 2.5-6.5 per cent growth target. Whatever his misgivings, *Mr Alan Greenspan,* the Fed chairman, will find it hard to resist administration pressure to cut rates before this autumn's presidential election.

Yet broad money growth may be misleadingly depressed. The federal government, via the Resolution Trust Company, has been issuing Treasury bills which do not appear in M2 and simultaneously writing off thrift deposits which were included. Meanwhile, loose monetary policy may perversely be depressing monetary growth. Low short-term interest rates may have persuaded small investors to withdraw savings from time deposits and invest them at longer maturities, where the yields are higher. Stripping out small time deposits and money market mutual funds from M2 raises its growth rate to M1 proportions, as the left-hand charts shows.

The Bank of Japan faces similar difficulties. While M1 growth remains at historically high levels, the growth of its favoured money supply average – M2 plus certificates of deposit – has collapsed. The BOJ, anxious to resist another interest *rate cut,* argues that this slowdown results from shift of savings into Postal Saving deposits which are excluded from broad money. But growth of both bank lending and *broad liquidity,* which includes the postal savings, is also sluggish.

In Germany, broad money growth rates suggest that inflation, not recession, remains the main threat. The year-on-year growth rates have risen sharply in recent months. But the peculiar measure of broad money growth rates stressed by the Bundesbank paints a more alarming picture. Its target range for M3 growth of 3½-5½ per cent in 1992 refers to growth relative to the average level of M3 in the fourth quarter of 1991. Rapid money growth in December and January meant that the annualised monthly rate was already 8.9 per cent in January. It has since remained outside the target range.

There are a number of reasons why German broad money growth might be artificially inflated. The growing use of the D-Mark as a reserve currency in eastern Europe is one possibility; another is the large negative differential between short and long interest rates – the opposite from the US where this *yield ratio* is positive – which may be encouraging investors to shift into short-term assets.

Yet the main force propelling M3 growth, according to the Bundesbank, is the volume of bank lending to *companies* and individuals. The April money supply figures show a strong rise in short term lending which may, according to Mr Paul Brunker of Robert Fleming Securities, reflect "distress" financing by companies facing a slowing economy. But M3 growth is not expected to fall within the Bundesbank's target range in 1992. Until it does, a significant cut in German interest rates is unlikely, while the risk of a German recession will remain.

Edward Balls

Saudi oil move boosts Opec hawks

Mark Nicholson on why the cartel's hardliners may have gained influence in Vienna

THE Organisation of Petroleum Exporting Countries' meeting last week provided unexpectedly good news for the cartel's traditional price hawks – countries such as Iran, Algeria, Nigeria and Libya, which prefer Opec output agreements to keep supply tight to squeeze the oil price higher.

This should be the effect of Opec's decision in Vienna last Friday to "roll over" its second-quarter output ceiling of 22.98m barrels a day into the third quarter, allowing only Kuwait to boost output as it catches up lost ground. Indeed oil traders yesterday said the deal could create what one called a "serious bull market" for crude.

For the first time since before the Gulf war Opec may be within reach of its "reference price" of $21 a barrel for the cartel's basket of crudes – a figure Mr Ginanjar Kartasasmita, Indonesia's oil minister, said yesterday could be attained by September. (Last week the basket price hovered above $18.50 a barrel.)

This is unexpected because since the Gulf crisis, when Saudi Arabia boosted production from 5m barrels a day to above 8m b/d to replace lost Iraqi and Kuwaiti output, the kingdom has clung jealously to its increased share of Opec output, now over 30 per cent, and, as the price hawks see it, used its unmatchable oil market weight to depress prices.

> For the first time since before the Gulf war Opec may be within reach of its "reference price" of $21 a barrel for the cartel's basket of crude oil

Last week's meeting therefore looked set to be another Saudi tussle with the hawks – the kingdom suggested before the meeting that it wanted Opec's ceiling raised by 1m b/d to 24m b/d, but with Iran, leading the hawks, calling for a cut.

Then something odd happened. Instead of insisting on its pre-talks position, Saudi Arabia quickly agreed that a roll-over, allowing for Kuwait, would be fine.

Odder still, the Saudis arrived without Mr Hisham Nazer, the oil minister, who was said to be "exhausted" from international trips.

Oil analysts professed bafflement. A market rumour that King Fahd, the Saudi ruler, was ill went around the oil market – a rumour Saudi delegates angrily denied. But what were the Saudis up to?

Officially, the kingdom, led in the talks by Mr Fayez Badr, a junior minister, decided early that no agreement could be reached to raise the ceiling to 24m b/d, that even a lower ceiling of 23.7m b/d would prove divisive, and, therefore, that a roll-over plus extra Kuwaiti production was the best compromise.

The deal will, Opec estimates, see the cartel pumping 23.5m b/d in the third quarter, "with some leakages", in the words of one official.

In fact, since most industry sources suggest Opec is already pumping 23.5m-23.6m b/d, the cartel's output by September could be near the 24m b/d Saudi Arabia chose as its starting figure, which represents its estimate of the call on Opec crude for the quarter. So to that extent the kingdom got what it wanted.

Furthermore, Saudi Arabia, in common with the price hawks – which these days include heavily strapped Kuwait – will be glad of the extra revenues an additional $2-$3 per barrel will bring to help defray its hefty budget deficit. Its soft-pedalling was also good for Opec harmony.

But these factors may not account entirely for the kingdom's shift towards a higher-price oil policy.

Another which might, however, is the European Community's decision to back a carbon tax worth $10 on a barrel-of-oil-equivalent by the year 2000, designed to restrain oil consumption and curb carbon dioxide emissions.

No Saudi .delegates explicity linked their shift towards allowing oil prices to rise to their opposition to the proposed tax. But none lost any opportunity to make clear the kingdom's distaste for the proposal – something Mr Nazer expressed strongly in talks before the Opec meeting between EC and Gulf ministers in Kuwait.

"Excessive petroleum taxation" in the EC has, he said, already risen from $7 a barrel in 1973 to $56 in 1991, while taxes on coal, which produces more carbon dioxide than oil, were lower.

Mr Nazer also pointed out overall EC taxes on oil raked in $210bn in 1991, while the oil exporters in the period earned just $64bn for their oil exports.

Should the tax go through, Mr Nazer said, "Producers will find themselves in a dilemma of overspending to raise their productive capacities to ensure security of supplies while taxation policies aim at curtailing demand in consumer countries."

This, Mr Nazer concluded, "would ultimately affect... our relations with our trading partners."

Saudi Arabia – the world's largest oil exporter and a single commodity economy – the minister was suggesting, will not sit idle while the EC proposes a tax which will hurt its revenues while adding to EC governments' coffers. "It is a question of who earns the economic rent from oil," said one Gulf Arab oil official in Vienna.

By backing higher Opec oil prices, therefore, the kingdom has issued a gentle reminder that its previous price-levelling policies should not be taken for granted.

Moreover, the rest of Opec will fall swiftly behind Saudi moves to resist the carbon tax.

As Mr Nordine Ait Laossine, Algeria's oil minister, said in Vienna, if the EC wants to raise oil prices for the consumer, "we can very well do that for them".

Sandor Takacs of Virginia waters flowers on his uncle's grave in the Arlington National Cemetery, on the eve of the US Memorial Day holiday.

Ethnic groups fire first shots at Earth Summit

By Christina Lamb in the Kari-oca Indian village, Rio de Janeiro

THE grounds of a mental asylum were the bizarre setting yesterday for the first official event of the UN Conference on Environment and Development, better known as the Earth Summit.

Aborigines, inuit (eskimos), North American Indians, tribal Africans and Amazonian Indians in full paint and feathers gathered together in a mock Indian village in the grounds of Cobicica Mental Hospital on the hills outside Rio de Janeiro for the first ever World Conference of Indigenous People, much to the amusement of the inmates.

Most had come by aircraft and car, rejecting the grass huts of the Kari-oca village built by Indians with authentic materials from the Xingu National Park, in favour of air conditioned hotels in the city.

Some 500 Indians from five continents will meet all week to discuss topics such as biodiversity, intellectual property and sustainable development to prepare a document to be presented to Mr Maurice Strong, secretary general of the Earth Summit.

According to Mr Marcos Terena, a Brazilian Indian chief co-ordinating the conference, the aim is "to ensure that indigenous people have a voice" in the official summit which starts next Wednesday, and are not "just considered in folkloric terms".

Specific concerns include recognition of intellectual property rights for use of medicinal plants from Indian areas, sovereignty rights and deciding on a position for the 500th anniversary of the European discovery of the Americas. A Nigerian delegation led by Chief Dr H J R Dappa Biriye also hopes to launch a trust fund to save the Niger Delta.

Mr Donald Rocas, an Indian from Costa Rica, says: "This conference is fundamental because it deals with all our lives – not just those of indigenous people but also non-indigenous who need to learn from us how to look after land and resources crucial for the planet's survival."

Ms Helen Corbett, who is leading an Aborigine delegation from Australia, says: "The main issue for us is sovereignty for aborigines to prevent destruction of our land and death of our people."

She adds: "Our story is very similar to other indigenous groups' and we need to come together to learn from each other and work out global solutions."

However, there is considerable doubt over how representative the conference delegates are. Brazilian Indians spoken to in Para and Amazonas over the last month were completely unaware of the event and expressed interest in visiting Rio.

Around 30,000 people are expected in Rio over the next three weeks for the Earth Summit and related events and the city is currently resounding with last-minute hammering, building and road surfacing ready for the world's largest ever gathering of heads of state.

The Earth Summit will be the first major post-cold-war conference, with around 18 new European countries in attendance. Mr Marcos Azambuja, Brazil's chief negotiator, describes it as "the most important non-confrontational conference since San Francisco in 1945".

Over the weekend the 10m residents of Rio had their first taste of what is to come with the testing of security operations which brought traffic to a complete standstill and caused some panicked residents to think a military coup had been launched.

Some 6,000 army officers patrolled the streets in tanks with heavy arms, practising for the summit, at which about 125 heads of state are expected. One of the leaders of the Brazilian delegation, after being tailed by three riflemen, complained: "The military seem to be taking things to extremes – are we really going to open tankfire if any problems emerge?" but added: "Some of our guests do have rather nasty enemies."

Rio's notorious street children and petty criminals have been "cleared" from areas surrounding the main hotels and Mr Flavio Perri, the conference organiser, says: "You will never know Rio this safe."

Despite such elaborate precautions, US President George Bush is expected not to stay in Rio, nowhere in the city apparently being thought safe enough.

For those still concerned about pickpockets, Rio's most famous escaped British train-robber, Ronald Biggs, is giving security hints on a daily radio programme throughout the conference.

Carlo Ripa di Meana: Why Rio must deliver, Page 14

Rio steps up security

IN little more than a week Rio de Janeiro will host the biggest gathering of world leaders in history, Reuter reports from Rio de Janeiro.

The Earth Summit, formally the UN Conference on Environment and Development (UNCED), begins a 12-day run on June 3, culminating in a gathering of as many as 100 heads of state or government, with responsibility for their protection falling primarily on Brazil's armed forces.

They have already launched a huge operation with planned deployment of 15,000 soldiers and police, backed by 20,000 more providing support services and acting as reserves.

To guarantee the safety of the heads of state some roads leading to the conference centre – several miles from the centre of Rio – will be closed to the public from June 11 until June 15 when the greatest number of heads of state will be in town.

Companies to face calls for interim audits

By Norma Cohen and Andrew Jack

COMPANIES will be urged to obtain audits of their interim *financial statements* instead of relying on a single annual audit in a wide-ranging report on corporate governance due out tomorrow.

The recommendation is included in the final draft report from the Committee on the Financial Aspects of Corporate Governance chaired by Sir Adrian Cadbury.

The recommendation is likely to spark controversy from those who feel it goes too far and from those who feel it does not go far enough. While many of its recommendations deal with the presentation of accounts, it will urge a number of reforms to board structures including: a larger role for non-executive directors with obligations towards *shareholders*; moves towards separate audit *committees* on company boards; and a three-year restriction on directors' terms of office.

While no company need comply with its recommendations, *the report* will urge the Stock Exchange to adopt a new listing requirement to force companies at least to disclose the extent to which they comply with the Cadbury Committee's recommendations.

Several recommendations are likely to disturb a large number of directors. The investment company 3i, in a *survey of finance directors* at some of the UK's largest companies, found 78 per cent opposed their representation on audit committees. A number of the report's suggestions have been opposed by the Confederation of British Industry, which is represented on the committee.

The report is likely to fall short of what had been sought by the more hawkish institutional investors, some of which have urged that directors' *remuneration packages* and terms of office be disclosed annually and that US-style accounting reports be introduced to help shareholders learn more about the profitability of corporate subsidiaries.

Local authorities contract services to private sector

MORE THAN half of all local authorities have contracted out provision of at least one of their main services to the private sector, and nearly a fifth have three or more services contracted out, according to *the Institute of Public Finance*, writes Andrew Adonis.

Nearly one in five contracts awarded under the government's compulsory competitive tendering (CCT) policy has gone to the private sector. However, except for refuse collection, its share is markedly lower in terms of value, with private sector companies performing best in competition for smaller contracts.

These findings come in a report on *the impact of competition* for local authority contracts *published today by the* IPF, a research arm of the Chartered Institute of Public Finance and Accountancy.

Contracts worth £1.9bn a year have been awarded since the government obliged local authorities to start putting services out to tender in 1988.

Controversy resurfaces over role of paratroopers

By David White and Alison Smith

THE CONTROVERSY over the role of British paratroopers in Northern Ireland resurfaced yesterday when it emerged that the Ministry of Defence had ordered the removal of a senior army commander responsible for the Parachute Regiment in the province.

Ulster politicians claimed the move was connected to the recent outcry following incidents in Coalisland, County Tyrone, where a number of civilians were injured in a confrontation with members of the Parachute Regiment.

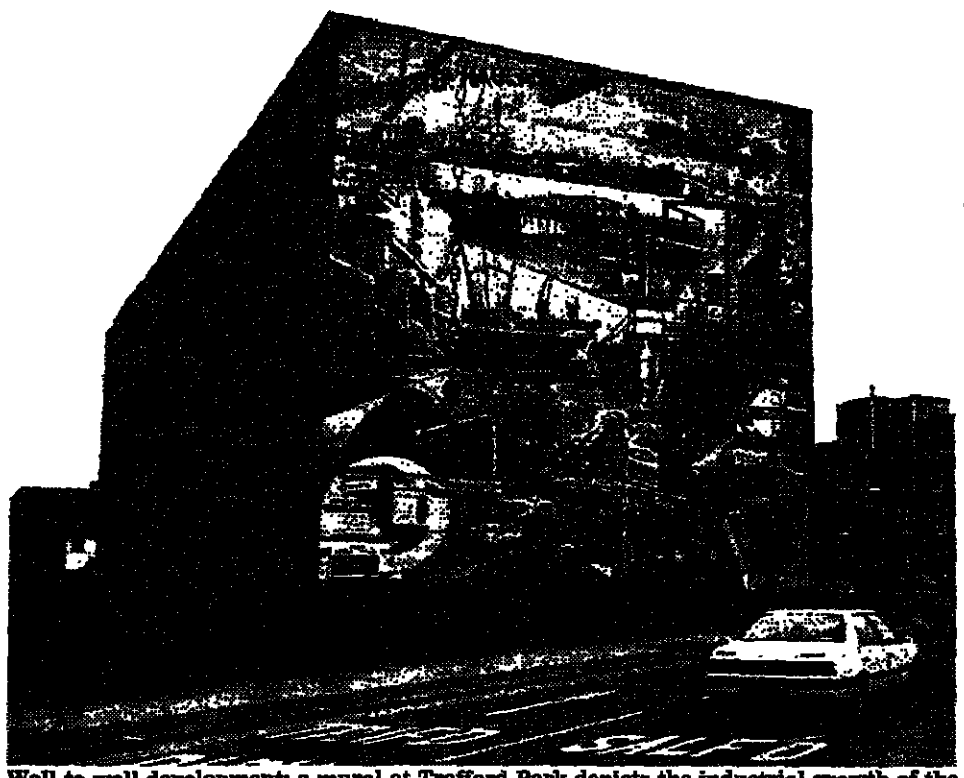
The Ministry of Defence, however, insisted yesterday the removal of the army officer was "an unfortunate coincidence" and was unconnected with the actions of paratroopers who shot and injured three civilians last week.

The decision to relieve Brigadier Tom Longland from his duties as commander of the Armagh-based 3 Brigade was taken before the incidents in Coalisland, it said.

A number of Northern Ireland politicians dismissed the MoD's claims and said the incident is is likely to be raised in today's plenary session of the talks on the political future of the province.

Mr Seamus Mallon, deputy leader of the nationalist SDLP, said he suspected the brigadier had come into conflict with the police over their primary role in maintaining security. *Mr David Trimble, the Ulster* Unionist MP, said the brigadier's *removal would be seen* as a result of pressure exerted by *the Irish government*.

The army is awaiting the outcome of police investigations into the incidents, in which members of the Parachute Regiment allegedly rampaged through bars in the town and, in a subsequent clash, fired shots into a crowd.



Wall to wall development: a mural at Trafford Park depicts the industrial growth of the *Manchester* suburb where developers hope a £45m scheme will create 1,500 new jobs

US-Canadian group agrees £45m redevelopment scheme

By Ian Hamilton Fazey, Northern Correspondent

A GROUP of developers and manufacturing companies have reached agreement on a scheme worth up to £45m to rejuvenate an industrial complex on the outskirts Manchester, north west England, creating up to 1,500 jobs and building more than 1m square feet of new factory space.

The agreement *involves* Varity, the US-Canadian owner of *Massey-Ferguson tractors and* Perkins diesel engines, leaving *its present UK base at the Trafford* Park industrial estate and *moving to a new site in the* former steelworks town of Irlam on the opposite bank of Manchester Ship Canal.

A new 17-acre warehouse and office complex in Irlam will be run by Caterpillar Logistics Services, which will handle Massey-Ferguson and Perkins warehousing on a contract basis. The move follows Varity's worldwide restructuring after its $178m losses last year.

The major part of the agreement, however, involves redevelopment of 70 acres of former Massey-Ferguson land in the main Trafford Park area south of the canal. This will involve *replacing* more than 1m *square* feet pre-war factories that lack the *services and* car parks needed today.

Varity is selling 30 acres *to* the Asda retail chain for a *superstore*, a mall of *non-food* shops and a petrol station, with the government-funded local development corporation acquiring the rest. Varity and the development corporation have already negotiated an agreement with Amec Properties for phased redevelopment of the site, starting next year. Amec will build factory or warehousing space.

About 150 jobs will created by the retail developments and a similar number will be involved in the Irlam warehousing operation. The 1m sq ft of new industrial space is expected to bring in at *least* 1,250 jobs by about 1998, *although some of these will be* relocations.

Although there is a moderate over-supply of new office space in Trafford Park and adjacent Salford Quays areas, modern industrial space continues to be at a premium.

The new factories will at the western edge of Trafford Park, near the junction of four motorways and Manchester Airport.

Britain in brief

MPs to query Bank attitude to Maxwell

The all-party group of MPs campaigning on behalf of the Maxwell pensioners is likely to seek a meeting with Mr Robin Leigh-Pemberton, the governor of the Bank of England, to question him about the Bank's attitude.

The prospect of further pressure on the Bank comes as the government faces renewed calls to compensate thousands of elderly pensioners who belong to collapsed pension schemes of the late Robert Maxwell's companies.

The MPs are unhappy about the Bank's apparently relaxed view of its supervisory role, and believe that recent comments by Mr Leigh-Pemberton have been *unhelpful*. The government, meanwhile, is *unwilling* to bear the cost of replacing the £400m said to be missing from *the Maxwell* schemes, and is concerned that *its actions* could set a precedent for compensating other pensioners in the future. It is anxious to have an industry compensation scheme instead.

BCCI MP flies to Abu Dhabi

Mr Keith Vaz, the Labour MP who chairs the BCCI parliamentary group, has flown to Abu Dhabi with a fresh appeal to its ruler to increase his offer of compensation to the depositors and creditors of the collapsed Bank of Credit and Commerce International.

Mr Vaz intends to deliver *personally* a letter, *signed by* 150 cross-party MPs, to Sheikh *Zayed bin Sultan al-Nayhan*, urging him to increase the level of compensation offered.

Pressure grows on coal bidders

Pressure for employees taking a *large stake* in British Coal will increase this week if, as expected, representatives of 6,000 corporation managers back moves which could result in them joining a bid.

Mr John Meads, general secretary of British Association of Colliery Managers (BACM), is likely on Thursday to receive the support of his annual conference for investigating participation in a bid consortium.

The Union of Democratic Mineworkers has already declared its interest in an employee buy-out. Whether the BACM joined with the UDM or formed a separate group, its interest would increase *the credibility of an* employee buyout.

Universities seek new funds

Direct state funding for universities needs to rise by more than a fifth – *£400m* – next year if teaching and research are *not to deteriorate* as student numbers rise, university chiefs have warned the government.

In its submission to Mr John Patten, education secretary, for the 1993/4 public expenditure round, the committee of vice-chancellors and principals points to the nine per cent increase in university student numbers this year, and projections of a similar increase next year, as support for its claim for an extra £450m, only £56m of which it believes institutions can raise themselves.

Co-op group in merger talks

Talks between the Enfield and St Albans Co-operative Society, which has a turnover of £43.6m, and the Co-operative Wholesale Society are likely to lead to a new regional retail grouping with sales of more than £143m.

MANAGEMENT

Computer in the cottage

During the industrial revolution in Britain, families in Lancashire boosted their income by producing cotton in their cellars. Now a small start-up firm in Whalley, Lancashire is hoping to repeat the success of home working by substituting desktop computers and sophisticated telecommunications facilities for the hand-loom of the last century.

Based on the Scandinavian "tele-cottage" concept, Anthony Capstick has set up Ribble Tel-Business Trust with the backing of the East Lancashire Training and Enterprise Council and the Rural Development Commission.

RTT hopes to create employment in the area by tendering for data entry work from large international companies which will then be carried out by a network of self-employed home workers.

However, its bread-and-butter business is providing basic office and computer services like photocopying, printing, fax, personal telephone answering, typing and computer hire by the hour for local businesses. If required RTT will also provide one-to-one computer training at home – a service tailor-made for shy businessmen.

From RTT's communications centre in Whalley, Capstick will also be offering an online, high-speed search service through a company he has set up called Instant Search, which he describes as "a retail outlet for business information held on computers".

Using computer, telecommunications and fax facilities Instant Search can provide corporate and business information from computer databases in the UK and most overseas countries including the US within 10 minutes. Capstick points out, somewhat surprisingly, that it is possible to dial more overseas countries directly from Whalley than it is from Manhattan. Instant Search operators capture information on their desktop terminals from computer databases and convert it into a fax for delivery to clients. Capstick claims customers can receive the information they require within minutes rather than the hours or days taken by most conventional search agents.

Ribble Tele-Business Trust: Tel. 0254 822922, Fax. 0254 822221.

Paul Taylor

Paying more than a pony

Jane Fuller interrogates the banks about their high charges, and advises small firms to shop around

Lloyds Bank's attempt to woo small companies as part of its proposed bid for Midland focused on start-up businesses and on access to funds at favourable rates.

But for the bulk of existing small firms, the promises must have sounded a little hollow. One of their main concerns was not addressed: what about the cost of everyday transactions?

A quarterly bill from a bank can add up to a considerable amount, much of it charged for paying money in rather than taking it out.

Take the case of a riding school on the outskirts of London, turning over more than £100,000 a year. Customers are charged £13.50 for an hour's riding and often pay by cheque.

For the first three months of the year, the charges made by a local branch of Barclays Bank amounted to £401.79. As this would be for a comparatively quiet winter quarter, the annual banking fee would be well over £1,200 – more than 1 per cent of turnover. This is before charging any interest on an overdraft.

The bill was itemised following a query from the customer and a list of imminent tariff increases was also sent to her. The main points that raised her eyebrows were the amounts charged for paying in cheques and cash, fees for letters and other pieces of administration, and several price rises at rather more than the inflation rate.

A breakdown of the charges shows that by far the largest item was £210.34 for paying in 809 cheques, at 26p per cheque. From next month the charge goes up to 29p, an increase of 11.5 per cent compared with the latest UK inflation figure of 4.3 per cent. The second largest item on the bill was £89 for "management and overdraft administration fees", which were not explained.

Two other key points in the tariff information were an increase from 65p to 70p for every £100 cash paid in and from 57p to 61p for debits, increases of 7 to 8 per cent.

The business is responding to the main problem of cheque charges in three ways:

- Passing on a 30p charge to the customer writing a cheque for less than £50. A copy of the bank charges will be pinned to the notice board to show the reason.
- Offering blocks of lessons at a discount to reduce the number of cheques.
- By-passing the bank altogether. The 30p cheque charge will encourage more customers to pay cash, which will then be used to pay suppliers directly.

The last line of action sounds like regressive behaviour. It raises issues of security and loss of business for the bank.

It costs £13.50 to ride him and 29p to process the cheque

To try to find out whether the charges were typical, the FT asked the four other high street banks for comparative figures.

The answers showed some variations in the amounts charged, but to a small business all might seem expensive. However, each bank also said that fees were negotiable. "If the customer is not happy, they should go to see their bank manager," was a common response, although they would need to ask whether, and how much, they might be charged for the appointment.

Taking cheques paid in, cash paid in and debits, the cheapest was Midland Bank, echoing the findings of Rochester Research's recent survey of bank branches in Kent, which ranked Barclays as the next cheapest followed by NatWest, with LLoyds as the most expensive.

Midland's charges per cheque were 23p and 60p for a single credit comprising a number of cheques. Had the riding school qualified for Barclays small business tariffs, for which the cut-off is £100,000 turnover, a bundle of cheques could have been banked for 66p.

At NatWest, which has a similar £100,000 limit for its small business service, the charge is 64p for every payment into or out of the account. Over this threshold, it said "all charges are individually negotiated", taking into account the level of activity. One option was to negotiate charges as a percentage of turnover.

The TSB Bank was close to Midland at 25p per cheque and 67p per multi-cheque credit, and only 1p behind Midland's 52p for debits. Lloyds was the most expensive at 75p per credit or debit entry. However, its "small business" tariffs applied to companies with up to £1m turnover, and the 75p was a flat rate for any amount of cash, rather than per £100. Both these factors would help in the riding school's case.

Midland also fared best in terms of modest increases. It raised its charges in March last year and has decided not to put them up again until March 1993. All the other banks either have raised charges by more than the inflation rate or plan to do so.

The explanation Barclays offered for this was that it was "a known fact" that service inflation was higher than "normal" inflation. Asked why, the response was: "Without being an economist, I don't want to give a detailed explanation."

If the main reason is staff costs, then Lloyds' aim to save £700m over four years partly through cutting up to 20,000 jobs lends some credence to its claim that small businesses would benefit. However, with the exception of specific offers to new businesses and for certain types of borrowing, it talks of "better products and services" rather than cuts in charges.

Stuart White, enterprise director at Midland, explained why a bank might switch from charging a flat rate for a bundle of cheques to charging for each one. "Where there is a high volume, you may look at how much it costs to process the paper."

He also expressed some dismay at the prospect of a business switching back to cash. "Through the 1980s we moved towards the cashless society but now there is a danger we could end up as a cash-only society. I would like to see that avoided."

His advice for a business like the riding school was to reduce the level of banking activity – "don't collect as many cheques". And it was worth asking the bank "to ensure that charges came out at a minimum", he said.

Midland offered to provide its customers with costings to show that it was trying "to get the costs back plus a bit of profit for ourselves".

The banks were also asked about the help they offered to the small business customer. Some of the answers focused either on free banking for new businesses in their first year (Lloyds is proposing two years if the merger comes off). Others concentrated on support for businesses that were running into difficulties – obviously a preoccupation when the high street banks have had to make heavy provisions for bad debts.

This perhaps explains why that "bit of profit" earned from businesses that are neither new nor ailing is so important, and why charges are tending to outstrip inflation.

In a Nutshell

Equipped with the tools of the trade

While many small companies are spending freely on training, hard-pressed businessmen and women often feel they have neither the time nor money to train themselves.

The Institute of Directors is attempting to fill the gap with a series of one-day workshops around the country, specially designed for owner-directors.

"The Business Toolkit" consists of courses on six topics ranging from finance and winning new business to leadership, team-building, and how to keep customers. Each workshop costs £110 plus VAT for IOD members and £125 for non-members.

Contact the Institute of Directors, 116 Pall Mall, London SW1Y 5ED. Tel: 071 839 1233

Losing on the swings and roundabouts

Overdrafts are much too common as a type of finance for business, and are becoming a millstone around the necks of small firms.

This was the warning given by Sir Peter Walters, chairman of Midland Bank, to the Association of British Factors & Discounters at the association's annual dinner.

"Long-term prosperity demands that as many of the business's costs as possible are variable, able to adapt to the swings and roundabouts of business fortune," he said.

New chapter for retailers

Small businesses might not think themselves natural winners of the Booker Prize, but if they are in the retailing or catering business, perhaps they should think again. The same group of companies that has been rewarding fiction writers is now doing the same for small businesses.

The Booker Prize for Excellence in Retailing and Catering is open to businesses from restaurants to pubs, grocers and newsagents, all of which face sharp competition from the multiples or big brewers.

The award, whose sponsors include Golden Wonder, Nestlé and Bass, is worth £27,000 in prize money, although the organisers stress that consultancy advice is also offered to non-winning finalists.

All shortlisted candidates can expect to be visited unannounced by shoppers and diners to make sure that customer service is as good as it is made out to be on the entrance form.

Contact Booker Prize Office, Profile House, 2 Fazeley Street, Birmingham B5 5JP. Tel: 021 633 0672

Let the good times roll

Small businesses seem confident that the recession is ending at long last. Many point to the Conservative victory at the general election as one of the main factors contributing to their new-found optimism.

According to the latest quarterly survey carried out by Consensus Research International for accountants Kidsons Impey, four out of five small- and medium-sized companies are optimistic about their own company's prospects for the rest of this year, compared with three out of five just three months ago.

The biggest change is expected in UK industry, where 70 per cent of companies were confident of improvement, compared with just 35 per cent earlier this year.

Hanging on to the family silver

Family businesses are not giving up the fight for further improvements on inheritance tax. The Stoy Centre for Family Business has been lobbying Norman Lamont, Chancellor of the Exchequer, to go beyond the changes made in his 1992 Budget.

These allowed 100 per cent inheritance tax relief but only on shareholdings of over 25 per cent of the equity share capital.

The SCFB has told Lamont that while this may help newly-established family businesses, it will not help older firms, where individual shareholdings are likely to fall below the threshold.

These shareholders will be entitled to only 50 per cent rather than 100 per cent relief. SCFB reckons this discriminates against the businesses that the Chancellor was trying to help.

The SCFB has suggested that if an individual owns shares in a family company in which his or her family owns more than 50 per cent, then the full relief should be applied.

BUSINESS WANTED

WANTED
YOU AND YOUR BUSINESS

WE ARE A RAPIDLY EXPANDING COMPUTER DEALERSHIP AND SUPPLIES DISTRIBUTOR LOOKING TO GROW FURTHER BY ABSORBING A...

COMPUTER DEALERSHIP
SUPPLIES DEALER
TRAINING COMPANY
SOFTWARE OR P.C. MAINTENANCE COMPANY

WE ARE INTERESTED IN TALKING TO THE PRINCIPALS OR DIRECTORS OF BUSINESSES WHICH, IN THE PRESENT ECONOMIC CLIMATE, WILL NOT CONTINUE INDEPENDENT OPERATION.

IF YOU ARE INTERESTED IN SELLING YOUR BUSINESS AND/OR CLIENT LIST (WITH THE OPPORTUNITY OF A CONTRACT TO SECURE YOUR OWN FINANCIAL FUTURE IN THE SHORT TERM), WE WOULD WELCOME YOUR INTEREST. FOR AN EARLY MEETING, WITHOUT OBLIGATION AND IN THE STRICTEST CONFIDENCE, PLEASE CONTACT:

FIRST STOP COMPUTER SUPPLIES LTD
SURREY HOUSE
SURREY STREET
CROYDON CR0 1SQ

THE CHAIRMAN
081 681 8484
081 680 9304
(FAX)

WANTED
SPECIALITY CHEMICAL COMPANY

Manufacturing and formulation of Polyeurethane resins
Expoxy resins and acrylic resins
Southern England

Please reply to Mr R B Stevenson, Cooper Lancaster, Aldwych House, 81 Aldwych, London WC2B 4HN Tel: 071 242 2444

WANTED

Companies £100,000 + net profit for partnership or outright purchase by international "Brand Name" company established over 100 years. T/O circa £8-10m per annum.

Currently involved in print, publishing, mail order, auctioneering, direct marketing & retail.

Please encolse brief outline of current activities and growth potential. All replies treated in strictest confidence.

Write to Box H6892, Financial Times, One Southwark Bridge, London SE1 9HL.

WANTED -

Agency Businesses in fields of: engineering plastics, passive electronic components, chemicals, or speciality steels. To complement existing activities of major multinational Group. Write to Box H6894, Financial Times, One Southwark Bridge, London SE1 9HL.

WANTED

Construction or associated company in the South/South East. Must be solvent with ongoing orders. Retirement of Principal an ideal situation.

Please write to Box H6903 Financial Times, One Southwark Bridge London, SE1 9HL

MAIL ORDER

Successful healthcare company wishing to expand mail order business seeks established mail order company. Purchase or Joint venture.

Please write to Box H6895, Financial Times, One Southwark Bridge, London SE1 9HL.

AIRCRAFT FOR SALE

AIRCRAFT TRADING DIVISION

AIRCRAFT FOR SALE

Fields invite enquiries from persons interested in purchasing

GULFSTREAM III AIRCRAFT

Choice of Low Time, Late Model Aircraft in Excellent Condition.

CONTACTS:

Aircraft Sales: Neil Harrison
Tom Perry

Fields — Field Aircraft Services (Heathrow) Ltd

HUNTING

Tel: 081-897 6446
Fax: 081-759 8193
Telex: 929214 Field G

AUCTIONS

The London Computer Auction Rooms Ltd

Offices: 392 Finchley Rd, London NW2 2HR Telephone 071 794 1116 Fax 071 794 1889

Announce the UK's largest ever

AUCTION

of Microcomputers & high value peripherals. The entire stock of a major distributor. By Order of the Joint Receivers of Intratech Ltd, G J Wisdom & Co Certificated Bailiffs & Others

1500 lots WITHOUT RESERVES

Including hardware by leading manufacturers: Apple, AST, Compaq, Hewlett Packard, IBM, Toshiba, etc, etc. Over 400 new 386 systems PostScript & other laser printers VGA & SVGA colour monitors high capacity storage media

On Saturday 6th June 1992

Sale starts 10:30am, view 12:00 noon - 7:00 pm Friday 5th & from 8:00 am on Sale day on the premises at

20, BRITISH GROVE, Chiswick, LONDON, W4

Catalogues for this auction will be available On Monday 25th May
Please telephone in advance for a free copy

071 794 1116

Please quote Sale reference - "Intratech"

FORCED AUCTION
CAPE TOWN – SOUTH AFRICA
2 MODEL RACEHORSE STUD FARMS
TO BE SOLD IN CAPE TOWN
ON SATURDAY, 20 JUNE 1992 AT 12:00 NOON
An excellent investment – especially at current exchange rates
FOR DETAILS AND BROCHURE CONTACT:- AUCOR (PTY.) LTD, EDDIE WINTERSTEIN. TELEPHONE 27-11-402-5775 OR FAX 27-11-402-6766

COMPANY NOTICES

EXCHANGE NOTICE TO HOLDERS OF BEARER SHARES OF GLOBAL NATURAL RESOURCES PLC

Pursuant to a Scheme of Arrangement dated May 17, 1983, as amended, the outstanding bearer share ("Bearer Shares") of Global Natural Resources PLC were cancelled. Certificates for Bearer Shares may be exchanged (a) until July 29, 1993, on a share-for-share basis for shares in registered form of Global Natural Resources Inc., a New Jersey corporation ("Global U.S.") or (b) at any time for cash. *Global U.S. shares are traded on the New York* Stock Exchange.

Bearer Shares do not represent Global U.S. shares and are not entitled to receive dividends, notice of meetings, vote or otherwise participate in the affairs of Global U.S. At March 1, 1992 each Bearer Share was entitled to $6,86 cash.

Certificates for Bearer Shares may be exchanged at the election of the holder for Global U.S. shares or cash by delivery of a completed Form of Application, together with certificates for Bearer Shares, to the Exchange Agent named below. Forms of Application, together with the Trust deed implementing the Scheme of Arrangement and Supplemental Deeds varying the Scheme of Arrangement, may be obtained from:

Registrar and Transfer Company
Attn: Exchange Department
10 Commerce Drive
Cranford, New Jersey 07016, U.S.A.

or from:

Hambros Bank Ltd.
Attn: Stock Counter
41 Town Hill
London, England EC3N 4HA

On or about May 28,1992, Global U.S. will mail to its stockholders the Notice of the Annual Meeting of Stockholders to be held on June 25, 1992 at 9:00 a.m. (C.D.T.) at the Ritz-Carlton, 1919 Briar Oaks Lane, Houston, Texas, U.S.A., together with the related proxy material.

BUSINESS SERVICES

DO YOU NEED HELP?

With Business Plans, Fund Raising, Budgets, Cash Flow Forecasts, Accounts etc. Whether you are expanding or just trying to survive, the chances are we can help you. Qualified (FCA) and experienced staff available at competitive rates.

Tel. 081 343 1313 or 445 9430 (eves)

BUSINESSES FOR SALE

Specialty Steel Producer

An opportunity exists for either the acquisition of or investment in Aberneath Industries Limited, a South Wales company producing steel products, in particular a new carbon steel cladded with stainless steel known as Nuovinox. *The Company is presently the subject of a creditors' voluntary arrangement.*

Principal features include:

- Investment to date in excess of £16m.
- Rolling mill and allied equipment close to full production commissioning
- Cost advantage over conventional stainless steel products.
- Identified markets and international support.

Parties interested in making an investment of at least £4.5m should contact the Supervisor, Barry Mitchell, KPMG Peat Marwick, Marlborough House, Fitzalan Court, Fitzalan Road, Cardiff, CF2 1TE. Tel: (0222) 482463. Fax: (0222) 481605.

(KPMG Peat Marwick is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business).

KPMG Corporate Recovery

Midland Joinery Limited

The Joint Administrative Receivers offer for sale, as a going concern the above business which trades as a manufacturer of high performance joinery, window frames and staircases.

The company trades from freehold premises in Burton-on-Trent, Staffordshire.

Principal features include:

- Producer of high quality window frames and staircases.
- Blue chip customer base with order book in excess of £1m.
- Skilled workforce.
- Purpose built premises of 100,000 sq ft on a 4 acre freehold site close to the town centre.
- Turnover approximately £5m p.a.

For further information contact the Joint Administrative Receivers, Ian Chisholm or Mick McLoughlin, KPMG Peat Marwick, *St Nicholas House, Park Row, Nottingham NG1 6FQ.* Tel: 0602 483444. Fax: 0602 483401.

KPMG Corporate Recovery

SUBSTANTIAL RENTAL INCOME

WITH FURTHER DEVELOPMENT POTENTIAL POPULAR HOLIDAY & RETIREMENT RESORT - EAST COAST

- Existing holiday & residential park with rental income of £132,500 per annum.
- Newly developed park home estate with over 60 units sold during the past 18 months showing G.P. £1.1 million +
- Consent to develop over the whole area for a further 200+ park homes (making 350+ homes) with future sales profits estimated to be IRO £4 million +

FOR SALE BY WAY OF INFORMAL TENDER JULY 1992
(unless sold previously)
For further information and colour brochure contact
EDWARDS & PARTNERS
45 Bampton Street, Tiverton, Devon EX16 6AH Tel 0884 256741

For Sale

Open Systems Integrator/Software House

Successful applications developer and reseller with excellent corporate client base and portfolio of vertical market software seeks an acquirer.

The company is growing steadily and has a high element of recurring maintenance and support revenues. Profitability is exceptional.

The vendors seek a large organisation to enable them to *exploit their successful formula on a wider basis and gain* the backing to go for larger and international contracts.

Interested parties, principals only, should send brief details of their company to, Denis Campbell at Regent Associates who are advising the Company.
11-17 Paradise Road, Richmond, TW9 1SA
Tel: 081 948 2777 Fax: 081 332 2771

SINGLE ASSET PROPERTY COMPANY FOR SALE

West Midlands
Income £177,726 p.a.
ERV £274,907 p.a.
P.P. 138,000 sq. ft.
Warehouse/light industrial
Fax No: 081-680 7798

BY ORDER OF THE LIQUIDATOR,
S. RISHI ESQ. FIPA MSPI OF S. RISHI & CO.
Re: Milton Keynes Marina Ltd.
For sale as a going concern
Purpose built marina in Milton Keynes
Jetties, moorings, shop, workshop, residential
3 acre site. Income producing
Offers invited for the leasehold interest, fixtures, fittings, stock.
Contact Sale Agents:
Currell & Co, Chartered Surveyors
96, Upper St., London. N1 0NP. Tel 071 354 5050

Quality international brand owning leather goods business

Turnover £3m, seeks trade partner to take advantage of market opportunities. Will consider sale or joint venture.
Write to Box No H6900, Financial Times, One Southwark Bridge, London, SE1 9HL

For Sale
FX BROKING OFFICE in Frankfurt-am-Main.
Fully equipped, very well located, all necessary contracts available. For further information please contact:
Dr. Walter, Solicitor
Tel: 49-69-550965
Telefax: 49-69-5963269

FOR SALE.

2.2 acres with 15K Sq Ft of indoor storage in Egham area just off M25. Potential income over 100K per year. 400K freehold.

Write to Box H6886, Financial Times, One Southwark Bridge, London SE1 9HL

CAPITAL GAINS TAX

Attractive Roll Over Opportunity

We own a well established, modern, freehold, highly profitable and substantial London Hotel, from which we are proposing to retire due to age. Current value around £11 million. Never previously on the market since first built.
Enquiries to Box H6802, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE

Prestige video rental shop in superb primary location on Kings Road, London.
Current turnover £95,000 p.a. Profits £35,000. Would suit owner - occupier. *Price £65,000*
Write Box H6662, Financial Times, One Southwark Bridge, London SE1 9HL

VEHICLE PARTS DISTRIBUTION BUSINESS

Turnover £1m. GP 31%.
Established trade brand name.
Nett assets £185,000.

Write to Box H6878, Financial Times, One Southwark Bridge, London SE1 9HL

BED & BREAKFAST

Business for sale as a going concern. 8 Freehold houses. Income £350k. Nett Profit £200k. Long term Local Authority letting only. Location M3 Junction 4.
Write to Box No H6855, Financial Times One Southwark Bridge, London SE1 9HL

The Administrator of
Euro UK Insurance Repair Services Ltd
invites discussions with interested parties for the purchase of the company as a going concern.
Written requests for details should be addressed to The Administrator c/o Fryer & Co, 9 Cardiff Road, Luton, Bedfordshire LU1 1PP

Major Rover Car Franchise For Sale

Turnover £7.5 Million
Located in the Home Counties
Offers Invited
Write to Box H6890, Financial Times, One Southwark Bridge, London SE1 9HL

SALE OF PSA PROJECTS

The Secretary of State for the Environment is seeking expressions of interest in acquiring PSA Projects.

PSA Projects is the largest multi-disciplinary construction consultancy serving government clients in the UK, offering architectural and engineering design, project management, quantity surveying and other specialist services.

The business has:

- over 1,300 professional and technical staff
- offices in 4 locations in the UK with overseas offices in Berlin and Hong Kong
- gross income of £191 million for the year ended 31 March 1992
- wide experience in civil and defence work.

For further details contact: Andrew Jordan, Coopers & Lybrand Deloitte, Room AH4, Plumtree Court, London EC4A 4HT. Telephone: 071-212 1064. Fax: 071-212 1330.

The UK firm of Coopers & Lybrand Deloitte is a member firm of Coopers & Lybrand (International). Coopers & Lybrand Deloitte is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Coopers & Lybrand Deloitte — Solutions for Business

TIMBER EQUIPMENT MANUFACTURER

Forest and Sawmill Equipments (Engineers) Limited
Stanmill Company Limited

The Joint Administrative Receivers offer for sale as a going concern, the business and assets of this manufacturer and supplier of Sawmilling, Timber and Forestry Equipment, based in Andover.

Principal features of the business include:

- £2.5 million turnover in last 12 months
- well known trade mark
- worldwide market
- 47,000 sq ft freehold factory and office unit available.

For further details contact Peter Whalley or Kevin Weir at Cork Gully, 5 Town Quay, Southampton SO9 1ZG. Telephone: 0703 632772. Fax: 0703 231628.

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Cork Gully

PET PRODUCTS
Leading Brand For Sale

An opportunity has arisen to acquire a highly profitable leading manufacturer and distributor of pet products.

- * Superb range of mainly injection moulded dog and cat accessories
- * Blue chip customer base
- * Turnover £1.1 million
- * Fantastic growth potential.

This business no longer forms part of our core business activity.

Replies from principals only. Write to Box H6904, Financial Times, One Southwark Bridge, London SE1 9HL

WHY SELL NOW!

Sales ledger down, overheads rising and competition increasing. Profitability and cashflow a thing of the past – the business becoming an asset of ever diminishing value. Selling is now the only option. Wrong! We can show you the way to restore the true potential of your business. Call now for FREE literature, or *confidential consultation.*

FRANKLIN & WILLIAMS & FOY

Franklin, Williams & Foy Limited
57 Queen Anne Street, London W1M 9FA
Tel: 071-224 0480 (10 lines). Fax: 071-935 2907

This advertisement has been approved by a firm authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

FOR SALE
PRECISION WOOD BASED COMPONENT MANUFACTURER
EAST MIDLANDS
Well established manufacturer supplying components to many blue chip customers on a regular basis. Turnover approaching *£1 million per annum.* Comprehensively equipped, single storey plant, warehouse and offices. Leasehold with option to purchase freehold. Skilled workforce and works management team in place.
Principals only apply in confidence to Box No. H6884, Financial Times, One Southwark Bridge, London SE1 9HL.

ENGINEERING BUSINESS
situated in Sittingbourne, Kent. Supplying mainly Blue Chip customers and shortly to be registered for B.S.5750 approval is for sale. Turnover approx £500,000 and operates from freehold premises. Reason for sale director's wish to pursue other business interests.
Write to Box No H6901, Financial Times, One Southwark Bridge, London, SE1 9HL.

Working Partner for BOAT HIRE BUSINESS
Weekly hire, river cruisers, Midlands base, suit husband and wife team
£100,000 FOR MAJORITY SHARE
Box Number H6897, Financial Times, One Southwark Bridge, London SE1 9HL

I. R. MAXWELL (FILM DISTRIBUTORS) LIMITED (IN LIQUIDATION)

The Liquidator, I. P. Phillips, offers for sale the principal assets of the Company:

THE READING FOOTBALL CLUB PLC
A holding of 33,070 Ordinary shares of £0.50 each, representing 33.07% of the Company's issued share capital.

CLASSIC FILM RIGHTS
The Company owns the rights to the two original films produced by the late Robert Maxwell and Paul Czinner:
Don Giovanni (1954)
The Bolshoi Ballet (1956)

The Company also owns other classic film stocks which are of interest to the collector.

To register interest in the shares and to apply for further interest concerning the films, please contact:

Peter Phillips or Gerard Goodwyn
Buchler Phillips & Co.,
84 Grosvenor Street,
London W1X 9DF
Telephone 071-493 2550.
Facsimile 071-629 9444.

BUCHLER PHILLIPS & CO.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

MINI-PILING & UNDERPINNING

A Dynamic and Highly Profitable Company in this Fast Growing Industry
FOR SALE

- * Turnover approximately £2m
- * Enormous Growth Potential
- * Offices in London & South West
- * Well Established and Efficient Work Team

For Details apply: PARISH
Chartered Accountants
Blackven Cottages
Shaftesbury SP7 0AR

BUSINESSES FOR SALE

LEGAL NOTICES

The High Court in the Matter of:
ANGLO IRISH BANK CORPORATION PLC
And in the Matter of:
THE COMPANIES ACTS, 1963-1990
NOTICE OF PETITION

Notice is hereby given that a Petition presented to the High Court of Ireland on the 27 day of April 1992 for an Order confirming the cancellation of IR£10,797,904.00 of the balance standing to the credit of the Share Premium Account, and that such amount be transferred to a non-distributable capital reserve against which any goodwill or any excess of the cost of any acquisition over it's underlying net asset value may be written-off in accordance with accepted accountancy practice is directed to be heard before the High Court of Ireland on the 22nd day of June 1992 at 11.00 o'clock in the forenoon at the Four Courts, Inns Quay, Dublin 7.
Dated the 20th day of May 1992
Signed William Fry, Solicitors for the Petitioner, Fitzwilton House, Wilton place, Dublin 2.

THE INSOLVENCY ACT 1986
IN THE HIGH COUNTY COURT
IN BANKRUPTCY NO 8909 OF 1990
RE: LORNA PATRICIA ST. CLAIR
OF 55 BRYANSTON STREET, LONDON W1, OCCUPATION UNKNOWN, LATELY CARRYING ON BUSINESS AT UNIT NO. 42, SHEPHERDS BUSH CENTRE, LONDON W14, AS A HAIRDRESSER AS SCHOOL AND FASHION BOUTIQUE
I, Nigel John Halls of Cork Gully, Lennox House, Spa Road, Gloucester GL1 1XD HEREBY GIVE NOTICE that I have been appointed and certified by the Department of Trade as Trustee in the above matter.
All persons having in their possession any of the effects of the Estate must deliver them to me and all debts due to the estate must be paid to me.
Creditors who have not proved their debts must forward their Proof of Debt to me.
N J Halls, Trustee

ASH CAPITAL FINANCE (JERSEY) LIMITED
(Incorporated in Jersey with limited liability. Registered No. 49926)
9½ per cent Convertible Capital Bonds due 2006 guaranteed on a subordinated basis by

AUTOMATED SECURITY (HOLDINGS) PLC
(Incorporated in England and Wales with limited liability. Registered No. 321639)
and convertible into 2 per cent Exchangeable Redeemable Preference Shares in ASH Capital Finance (Jersey) Limited which will be guaranteed on a subordinated basis by and exchangeable for Ordinary Shares in *Automated Security (Holdings) PLC*

In accordance with Conditions 22 and 23 of the Trust Deed dated 31st May, 1991, notice is hereby given to holders of Bearer Bonds of the termination of the appointment of Bankers Trust Company and the substitution of Lloyds Bank PLC (Registrars Department) acting through its Issue Section (London Office) at P.O. Box 1000, Bolsa House, 80 Cheapside, London EC2V 6EE as Principal Paying and Conversion Agent and Registrar to take effect on 27th June, 1992, and the termination of the appointment of Bankers Trust Luxembourg S.A. and Swiss Bank Corporation and the substitution of Morgan Guaranty Trust Company of New York acting through its office at Avenue des Arts 35, B-1040, Brussels, Belgium and Kredietbank S.A. Luxembourgeois acting through its office at 43 Boulevard Royal, P.O. Box 1108, Luxembourg as Paying and Conversion Agents to take effect on 27th June 1992.
Automated Security (Holdings) PLC
25-26 Hampstead High Street
London NW3 1QA

Advertisement of Creditors' Meeting Under Section 48(2) of the Insolvency Act 1986
MODACC PLC
Registered number: 2234690
Registered in England
NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at Harman House, 1 George Street, Uxbridge, at 10:00 am on 12 June 1992 for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.
Creditors are only entitled to vote if:
(a) they have delivered to me at the address shown below, no later than 1200 hours on 11 June 1992, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
(b) there has been lodged with me any proxy which the creditor intends to be used on his behalf.
Date: 19 May 1992
Signed: Mr S B Banfield
for J M Iredale, Joint Administrative Receiver
Address to which proxies should be delivered: Cork Gully, Harman House, 1 George Street, Uxbridge, UB8 1QQ

Registered in England & Wales
F & W FLUID POWER LIMITED
(COMPANY NUMBER 2502351)
F.W. HYDRATECH LIMITED
(COMPANY NUMBER 2362673)
Principal place of Business
113-121 Gower Street, Sheffield S4 7JZ
NOTICE IS HEREBY GIVEN, pursuant to *Section 48(2) of the Insolvency Act 1986*, that a meeting of the unsecured creditors of the above-named company will be held at 1 East Parade, Sheffield S1 2ET, on 2 June 1992 at 11.30 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it *thinks fit, establish a committee to exercise* the functions conferred on creditors' committees by or under the Act.
D J Stokes
Joint Administrative Receiver
18 May 1992

CONNECTIONS RECRUITMENT GROUP LIMITED
HGV CONNECTIONS LIMITED
SAPPHIRE RECRUITMENT LIMITED
ALL IN LIQUIDATION
NOTICE IS GIVEN, pursuant to Section 105 of the Insolvency Act 1986, that General *Meetings of Members and Creditors of the* above-named companies will be held at the offices of Cork Gully, 43 Temple Row, Birmingham B2 5JT, on 5 June 1992 at 10.30 am and 11.00 am respectively, for the purpose of receiving an account of the Liquidator's acts and dealings and of the conduct of the liquidations to date.
David J Comey
Liquidator

THE INSOLVENCY ACT 1986
IN THE ST ALBANS COUNTY COURT
IN BANKRUPTCY NO 30 OF 1992
RE: VIVIENNE DENHAM
I, *Nigel John Halls* of Cork Gully, Lennox House, Spa Road, Gloucester GL1 1XD HEREBY GIVE NOTICE that I have been appointed and certificated by the Department of Trade as Trustee in above matter.
All persons having in their possession any of the effects of the Estate must deliver them to me and all debts due to the estate must be paid to me.
Creditors who have not proved their debts must forward their Proof of Debt to me.
N J Halls, Trustee

THE INSOLVENCY ACT 1986
IN THE ST ALBANS COUNTY COURT
IN BANKRUPTCY NO 29 OF 1992
RE: GARY GEORGE DENHAM
I, Nigel John Halls of Cork Gully, Lennox House, Beaufort Buildings, Spa Road, Gloucester GL1 1XD HEREBY GIVE NOTICE that I have been appointed and certificated by the Department of Trade as Trustee in above matter.
All persons having in their possession any of the effects of the Estate must deliver them to *me and all debts due to the estate must be* paid to me.
Creditors who have not proved their debts must forward their Proof of Debt to me.
N J Halls, Trustee

Certificate of Appointment of Trustee by Creditors' Meeting in the Kidderminster County Court
PHILIP ANTHONY MULLEN
& PAUL DAVID BROTHERS
This is to certify that a meeting of the creditors of the above-named bankrupt held on 21 April 1992, David John Comey of Cork *Gully, 43 Temple Row, Birmingham* B2 5JT having provided a written statement that he is qualified to act as an insolvency practitioner in relation to the above-named bankrupt under the provisions of the Insolvency Act 1986 and that he consents to to act, was appointed trustee of the above-named bankrupt's estate.
Dated 28th February 1992
Signed Mr P. Knight, Chairman
Creditors are requested to forward claims to the Liquidator within 28 days.

THE INSOLVENCY ACT 1986
IN THE MEDWAY COUNTY COURT
IN BANKRUPTCY NO 191 OF 1991
RE: MALCOLM RALPH ELSON OF 3a PILGRIMS WAY, DARTFORD, KENT
I, Nigel John Halls of Cork Gully, Lennox House, Beaufort Buildings, Spa Road, Gloucester GL1 1XD HEREBY GIVE NOTICE that I have been appointed and certificated by the Department of Trade as Trustee in the above matter.
All persons having in their possession any of the effects of the Estate must deliver them to me and all debts due to the estate must be paid to me.
Creditors who have not proved their debts must forward their Proof of Debt to me.
N J Halls, Trustee

Registered in England & Wales
BRESLER LIMITED
(COMPANY NUMBER 2194380)
Principal place of Business
2 Archer Road, Millhouses, Sheffield
NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at 1 East Parade, Sheffield S1 2ET, on 2 June 1992 at 3.30 pm for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it *thinks fit, establish a committee to exercise* the functions conferred on creditors' committees by or under the Act.
D J Stokes
Joint Administrative Receiver
18 May 1992

ART GALLERIES

CONTRACTS AND TENDERS

PEOPLE

Ex-MP Maude to join Salomon

After the disappointment of losing his Warwickshire North seat at the UK general election last month, things have been looking up for **Francis Maude**, 38, former financial secretary to the Treasury.

First, he agreed to advise Hongkong and Shanghai Bank on its bid for Midland Bank. Now he is to join Salomon *Brothers*, the *American* investment bank, as a director of Corporate Finance at its London offices. He will continue as consultant to HKSC until the *bid* for *Midland* is over.

Francis Maude: new role

At Salomon, Maude will be responsible for the bank's European privatisation business. This will involve advising Salomon's clients in east and west Europe on the financial and structural aspects of selling off state-owned assets.

Salomon *announced on* Friday that Malev Hungarian Airlines is retaining its services to advise it on the sale of a minority interest if a suitable partner is found. Maude oversaw privatisation and competition policy in his two years at the *Treasury, including the launch* of the share shop scheme during the privatisation of British Telecom.

In fact, Maude would have been closely involved with the Treasury's decision last September to drop Salomon in *favour of Goldman Sachs as its* US adviser on the £5bn BT flotation because of allegations that Salomon traders rigged US government securities auctions.

Announcing the appointment, William Strong, head of European Investment Banking at Salomon, praised Maude for his "broad international perspective".

Before joining the Treasury where he also represented the UK at the European Community, Maude was a minister of state at the Foreign Office with special responsibility for Hong Kong and was involved in *granting British passports to* 50,000 Hong Kong Chinese.

It's a long way..

It's a long way from deepest Sussex to the heart of Kalamazoo, even if it is Kalamazoo Business Systems, Birmingham, rather than Kalamazoo, Michigan. Too long, in the end, for **John Burgess**, Kalamazoo's former managing director who grew tired of the daily journey from home to office and the social and family difficulties it entailed.

After three years with the company, he has now left to pursue, other, as yet unidentified interests although colleagues expect to see him reappear *in a selling* role before long.

The gap at the top of Kalamazoo is being filled for the time being by Ian Davidson, the group finance director, while headhunters seek a replacement for Burgess.

Customised high-flyer

FLYING high at Customs and *Excise is Michael Eland* who, at the tender age of 39, becomes a Commissioner, one of the board which directs the work of the department. Eland, who is currently in charge of the Customs Anti-Smuggling Division, will head a new central directorate *bringing together the present* Single Market and Budget and Central Units, a new Economics and Statistics Division, and the Tariff and Statistical Office.

After reading jurisprudence at Trinity College, Oxford, Eland joined Customs and Excise in 1975 *as a fast-stream* trainee and has held various posts within the department. Identified early as a man going to the top, he spent seven years during the 1980s in the Cabinet Office, including a spell in the Cabinet Secretariat.

He was private secretary to Lord Whitelaw when he was Lord President of the Council 1987-88.

Smart money is on Valerie Strachan, one of the two deputy chairmen, to succeed the present chairman Sir Brian Unwin who could well return *to the Treasury at some time* in the next year. Eland would then be hotly fancied to follow Strachan into the top seat.

Bodies politic

■ **Peter *Hill***, the general manager of public affairs at Lloyd's of London, has been elected president of the UK chapter of the International Association of Business Communicators, a San Francisco-based organisation which has recently been making inroads into the UK. Hill hopes to boost UK membership from its present level of around 150. IABC has *11,500 members* worldwide. Hill was industrial editor of The Times before moving into PR eight years ago.

■ Six new members for the ENGINEERING COUNCIL have been elected to serve for three years on the umbrella body for Britain's engineering institutions. They are **Kenneth Burrage**, director of signals and telecommunications engineering at British Rail; **Granville Camsey**, executive director of National Power; **Thomas Husband**, vice-chancellor of Salford University; **Nicole Rockliff**, lecturer in mechanical engineering at Surrey University; **Stewart Ross Sutherland**, vice-chancellor of University of London; and **Robin Lee Wilson**, president of the Institution of Civil Engineers.

■ **Richard Lawson** has been *appointed chairman of the* board of the Investors Compensation Scheme of the SECURITIES AND INVESTMENTS BOARD for a *three-year period and* **Oonagh McDonald** a member of the board for two years.

■ **John Widdop** is appointed president of The INSTITUTION OF PLANT ENGINEERS.

■ **Richard Walker**, latterly general manager of ICI's worldwide surfactants business based in the US, has been appointed chief executive of the Bio-Products Laboratory of the CENTRAL BLOOD LABORATORIES *AUTHORITY*.

■ **Tony Elischer** is appointed head of corporate fundraising for the IMPERIAL CANCER RESEARCH FUND.

■ **Jim MacPherson** (above left), a director of DCA Industries, part of Allied Lyons, has been appointed president of The BAKERY ALLIED TRADERS' *ASSOCIATION*.

■ **John Roberts** (above right), chief executive of Manweb, has been appointed lead director for health and safety for the electricity supply industry.

■ **Edwina Hart**, a member of the Wales TUC General Council, *has been appointed* president of BIFU. She will be on secondment from Lloyds Bank for two years.

Other departures

■ **David Peebles**, *a founder of* Ferguson Enterprises, is to retire from WOLSELEY in July.

■ **Raymond Miezelis**, chief executive of SMURFIT Continental Europe, has taken early retirement for personal reasons.

■ **Raymond Shepherd** has resigned from the BIRSE GROUP as part of a management restructuring and by mutual agreement.

■ **John Read** has retired from MB-CARADON.

■ **Michael Holland** has retired from IAWS GROUP.

■ **Vincent Chan** has resigned from FIRST PHILIPPINE INVESTMENT TRUST.

■ **John Ford**, finance director of EVERED BARDON, has resigned to pursue other interests.

■ **Peter Moody** has retired from *the LAIRD GROUP*.

■ **Nicholas Jeffery** has resigned from COOPER CLARKE.

CORRECTION

Berkeley Burke Group

The FT stated on May 7 that Burke Ford Reed Insurance Management had "joined forces with Berkeley Burke". This was incorrect. Burke Ford Reed has linked up with Berkeley Burke Northern Group, a former subsidiary of the Berkeley Burke Group, which *also* conducts insurance broking business and continues to trade independently.

CONSTRUCTION CONTRACTS

Hiroshima airport terminal

SCHAL ASSOCIATES INC, a Bovis Inc company, has been awarded a contract for construction of a £60m terminal building at the New Hiroshima Airport in Japan.

It is the company's second major airport contract in Japan and the third contract in Japan this year and brings the value of Japanese construction work in which Schal is currently involved to more than US$800m (£437m).

The 390,000 sq ft terminal building will be of three-storey reinforced concrete design, incorporating wings for domestic and international passenger operations as well as cargo facilities. It is due for completion in September 1993. Schal will construct the terminal as part of a joint venture with Takenaka Corporation.

New Hiroshima will replace the downtown airport, which lacks space for expansion. The new airport, 25 miles east of the city centre, is being constructed by a massive cut and fill operation in rural hill country. It will be connected with the city by a newly completed expressway.

The Hiroshima airport terminal is being designed by MHS/Austin JV, a Japanese-American joint venture.

Schal is also constructing the control tower and administration building for the New Kansai International Airport in Osaka.

Schal Associates is a subsidiary of New York-based Bovis Inc, the US construction arm of P&O.

Munster base

TROLLOPE & COLLS JOINERY, a member of the construction division of Trafalgar House, has won its first overseas contract with a successful bid for joinery in northern Germany.

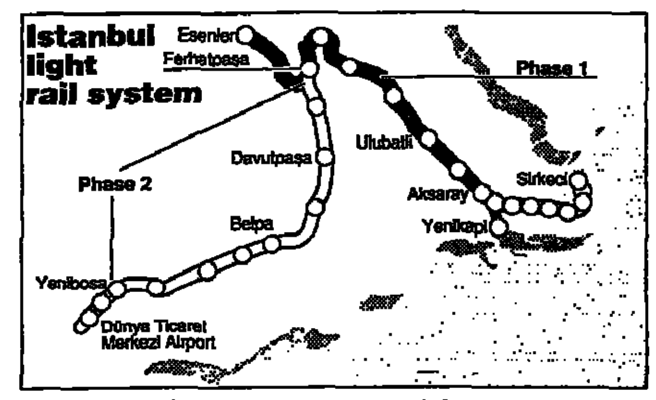
Work has started on a £140,000 fitting-out contract to provide woodwork at offices being built in Munsterstrasse, Munster. When complete, the project will provide a German headquarters for the Hong Kong-based company Hutchinson Mobilfunk. The contract was placed by the Berlin office of Stanhope Interior (Germany), the main contractor.

Istanbul transport plan

The **ACER GROUP** has been commissioned for work on the second phase, worth about £50m, of the Istanbul light rail system – Ferhatposa to the airport – by the Istanbul Metropolitan Authority. Phase one, which runs from Aksaray to Esenler, was put into operation in November 1990.

Work on the second phase is expected to start soon. Construction of the 10.4 kilometres between Ferhatposa (central coach station) and the airport will continue for the following 26 months.

The Acer Group has been awarded the contract to carry out the engineering and construction supervision services on this phase. This includes a detailed review of the design; highlighting any problems and offering solutions to facilitate construction; and ensuring work is completed in accordance with the technical specifications and within the scheduled time and budget.



The company will be responsible for the construction supervision of several major structures; eight stations; cut-and-cover and bored tunnels; three viaducts; and 10 bridges.

The total development will have three different rings and be about 109 kilometres in length.

A central location is proposed at Yenikapi, from where all main rail and sea transport will depart.

South Humberside power station project

After a protracted tender period, European Gas Turbines has awarded **BALFOUR BEATTY CIVIL ENGINEERING** a £9.5m subcontract for the main civil works to the Glanford Brigg CCGT (combined cycle gas turbine) power station at Brigg, South Humberside.

This contract involves the civil, building and infrastructure works for the power station for Regional Power Generators, following the execution of a contract for the site preparation and preliminary works.

The station will house four gas turbine generator sets, each exhausting into a heat recovery boiler.

The centrepiece of the site is the main turbine hall, with an integral electrical control building. The turbine hall houses the six generating sets which will be constructed on heavy reinforced concrete pedestal foundations. These will be surrounded by numerous smaller foundations.

Adjacent to the turbine hall, heavy foundations will be provided for the heat recovery boilers, pumps and auxiliary equipment. These boilers will have main stacks rising 70 metres above the surrounding countryside.

Also included in the contract is a water treatment building, with associated pumps, pipework and foundations for the general transformers, together with a switchgear building and the installation of an extensive network of pipe and cable ducts of various sizes.

All main buildings and foundations on the 71-week contract, are supported by 1,300 cast in situ piles of 600mm and 750mm diameter, founded on the underlying bedrock.

Relocating offices in Northampton

WILCON CONSTRUCTION's latest contact signing, a £6.7m office building in Northampton, brings the total of new work received this year to £20m.

The contract is to design and build a 95,000 sq ft two and three-storey headquarters complex for Northamptonshire County Council who are moving from the town centre to Wilson Connolly's edge of town business park at The Lakes on the Bedford Road.

At Heston, Middlesex, Wilcon is constructing five warehouse units totalling 154,000 sq ft under a £4.7m contract with General Accident Life Assurance, which also includes the refurbishment of a 28,000 sq ft five-storey office block.

Another 146,000 sq ft of warehouse and offices, in two separate blocks, is being built at Bradley Stoke, Bristol for Severn Trent Property at a cost of £3.4m.

At Ladywood, Birmingham work has started on the £1.3m phase 2 contract for the design and build of 36 two-bedroom flats and five three-bedroom houses for Nationwide Housing Trust.

Four contracts in Aylesbury, Leicester, Northampton and Oxford total £3m.

Sheltered housing in Peterborough

Royal British Legion Housing Association has awarded a £2.55m contract to the Midlands construction division of the **MJ GLEESON GROUP** for the construction of sheltered housing in Peterborough for frail elderly people.

Comprising 48 flats, communal and staff facilities, plus a house for the resident manager, this is the first development of its type and design to be built for the Association.

Gleeson has also won a contract at Harpurhey, Manchester, to build 16 flats and a bungalow at a cost of £544,000.

London housing scheme

A project valued at £23m to design and build 365 dwellings, including land provision, has been agreed between **LAING HOMES SPECIAL PROJECTS** and the Peabody Trust.

The Peabody Trust, one of London's largest charitable housing trusts, has selected Laing Homes Special Projects as one of its volume building partners.

Work to construct the housing, which is for rent, will commence in Hillingdon later this year, with the first dwellings being ready for occupation at the end of the year and with contract completion expected in 1995.

Volume building programmes are being offered by Laing in response to the Housing Corporation initiative "Operation breakthrough", in which housing associations are encouraged to enter into long-term partnerships with house builders, so benefiting from economies of scale.

Hong Kong monitoring programme

RENDEL PALMER & TRITTON (HONG KONG) has won a contract to survey the condition of decking which carries highways above the nullahs - water courses - in the Territory.

Some of the network of 31 nullahs have been decked with independently-piled reinforced concrete structures. In some instances they carry above them busy dual carriageway roads.

The first phase of the contract with the Hong Kong Government's Highways Department, is worth £215,000 and began on May 1. It will identify defects and quantify testing required on the total decked area of about 133,000 sq metres.

The second phase will test and establish reasons for defects and the extent and estimated cost of repairs. Special techniques such as sonar and CCTV may be used on the project.

£33m work awarded to Lilley

The **LILLEY GROUP** has been awarded £33.2m worth of contracts during April/May.

The largest order, worth £9m, for a new school in Livingston, West Calder, was placed with MDW by the Lothian Regional Council.

MDW has also received a contract, worth £5m, for the construction of offices at Cartsburn Business Park in Greenock for Wilson (UK).

Standen Construction has been awarded an order worth £2.1m for the construction of Clowne School in Derby for Derbyshire County Council. The work is scheduled for completion on July 27 next year.

The remaining £17.1m worth of contracts were gained throughout the group: the Scottish companies, Lilley Construction Scotland and MDW – £7.4m, including a £1.9m award for the construction of a stand at Motherwell Football Club; the north of England companies, Eden Construction and Robison & Davidson – £6.8m; notably a £1.9m contract for a nursing home in Dumfries for Westminster Health Care; the Midlands operations, Lilley Construction Midlands, the Standen Group and Piper Buildings – £1.4m; the southern-based companies, Henry Jones, Lilley Construction Southern and the Hatfield Group – £1.5m.

Sorting office

WALLIS WESTERN has been awarded a £4.2m contract by Royal Mail Property Holdings West to construct three buildings in Exeter, Devon.

Work has already begun to build a 5,867 sq metres mechanised sorting office, a three-storey administration block covering 1,970 sq metres and a 665 sq metres stores building with a motor transport workshop.

Architecture/Colin Amery

Development of the City office block

Nice new offices do not make a city: Alban Gate, London Wall blocks a view of St Pauls

The City of London is really an office block that covers one square mile. This fact is rather skilfully, if unintentionally, brought out in an exhibition at the Royal Exchange at the heart of the City called *City Changes*. The sub-title of the show is *Architecture in the City of London 1985 - 1995*. The show is organised by the City Corporation and the Architecture Foundation and should be compulsory viewing for anyone interested in the future of London architecture and planning.

There is a certain agreeable irony in the fact that this show is being housed in some of the freely available empty office space in the City – *especially* as the hidden agenda of the show seems to be a promotion of the City as a financial centre for a unified European Community. As Michael Cassidy, the chairman of the Policy and Resources Committee of the City of London, writes in his contribution to the catalogue about the over supply of offices in the City: "optimistically this now leaves the City with some of the highest quality office buildings in the world available at a price that would tempt new occupiers." It is a very necessary sales pitch because, if you take the period from 1986 and extend it to the end of 1993, "the equivalent of one half of the entire stock of office buildings in and around the City will have been rebuilt or created." I quote from the exhibition's press release.

*

There are currently some 12.6 million square feet of vacant offices in the City alone, not to *mention the vacant 40 per cent* of Canary Wharf that is available to anyone willing to risk the journey downstream. In Docklands since 1983, of the 9.7 million square feet of offices that has been constructed, some 5.2 million square feet is vacant. There are some 68 proposed office developments in the pipeline amounting to a further 16 million square feet – although whether Docklands can take any more development must seem very unlikely. The whole question of the planning relationship between the City and Docklands is not even glanced at by this exhibition.

It seems to me that the exhibition has two purposes, clearly expressed by its design and layout. One is to hype the City as a an ever changing and expanding place and to advance its cause as the potential home for the European Central Bank. The other is to show some of the better architecture that has been built, or *is on the drawing board*.

The first purpose is served by a large illuminated model of the whole City that has subtly toned buildings to show what has been built in three periods; pre-1945, 1945-1980, and since 1980. The model is shown so that you have to look down on it like a bird – it has a rather old fashioned air; now that computer models and videos are available I wondered about the real value of this huge wooden object. It does show clearly where the most recent growth has been and at a *glance where high buildings* have been permitted; it would have been more interesting if it had been shown in relation to the rest of London, particularly Docklands.

As an architectural exhibition it is really about the development of the office block. As a building type that has changed radically since the late 1950's it is well worth examination. It is a difficult building type to examine in *purely architectural terms*, because what we are really looking at is a built equation that has to balance technological efficiency with commercial and development values. How do you measure architectural success in the light of the balancing act that both the architect and the developer are performing? How do you measure the success of a city without taking into account place making, the mixture of uses and the qualities of the public realm ?

It is a fact that the great *property boom of the* 1980's did not produce much good architecture. The 20 schemes shown in this exhibition, with good models and drawings, are all of some interest, but they are only the tip of the development iceberg. The best total development in the City has undoubtedly been Broadgate – and I think that is not just because of the good standard of its architecture, but also because the develop*ers had the opportunity and* seized it to make a place with some life and quality. It may die at night because no one lives there but, seen in combination with the highly successful Liverpool Street Station redevelopment, it has genuinely enhanced the life of the City. It has created new squares and added some good sculpture to the scene – and it is traffic free.

The proposals for individual new buildings by famous architects like Sir Norman Foster, Sir Richard Rogers and Peter *Foggo in the redeveloping Lon*don Wall area may not add as much because they are not part of any serious master plan for a complete area.

There is some good and a lot of bad new architecture in the City. It seems to me that the City's weakness is planning. Why is there no comprehensive plan for the area around St. Paul's cathedral? How did the dog's dinner around the Tower of London ever happen? Who is responsible for the traffic madness that is Lower Thames Street? How did that dreadful new building at the bottom of Ludgate Hill on the south side happen to have been just placed to ruin the famous view of St. Paul's? How was the new Alban Gate building on London Wall allowed to rise so high that it damages the view of St Paul's from Blackfriars Bridge? You will not find the answers provided by the architects selected by the Architecture Foundation for this exhibition.

Nice new offices do not make a city: with no sensible strategic planning for London as a whole, even the value of the good things in the City will be lost.

The exhibition at the Royal Exchange and can only be reached by lift via the back entrance. It runs until August 21, and is free. Open 10 – 5.30 Mondays to Saturdays.

Opera/David Murray

Salome

For this opera, there was a time when censors like the Lord Chamberlain insisted that the head of John the Baptist be kept under decent wraps on its salver, so that the squeamish might pretend that Salome was only making love to the Sunday joint. Not any more: the prophet's severed head was my *third* last week, after *The Bacchae* and *Richard III*. In Peter Hall's production, revived at the Royal Opera by himself and Jeannette Aster, it is almost a portrait-bust with gore.

Natural enough, for Michael Devlin's "Jokanaan" is a visual apparition above all: young, lithe and near-naked, gaunt and wild-eyed, precisely as required. Just any old head later would never do. His lean baritone sounds properly forceful on stage; it is not a very resonant voice, and the electronic relay from his cistern doesn't flatter it. (A bit of remiking might make all the difference.) Also new to the production is Kenneth Riegel's first-rate Herod, unerringly pointed and telling, with no campy excess.

Some threadbare timbre near the end, as he pleads desperately with Salome to choose some alternative prize, is no matter. One rarely gets a Herod of such finesse. His Herodias is Gillian Knight, who booms sonorously but is made to look too much a blatant cartoon to carry much baleful weight. Robin Leggate repeats his sterling Narraboth, Fiona Kimm is a good Page (why not more boyish, though?) and all the lesser roles are cannily filled.

About Maria Ewing's Salome there can be little argument. This is a hugely fascinating portrayal, *distinguished no less* by its meaningful stillnesses than by its largesse of psychological detail. Famously, when Strauss told his prim first Salome that he wanted "a 16-year-old princess with the voice of an Isolde", she retorted that that was an "either/or". If the Ewing soprano *is* not exactly an *Isolde* instrument, it soars confidently over the orchestral waves in the final monologue.

The controversial vocal tricks that she likes to exploit are used here to colour passages that aptly make one's skin creep. The physical embodiment is superb (and her scorched-earth policy with her Seven Veils just as sensational as it was in 1988), but at a level *of intensity far above mere sex*kitten stuff. In fact, the Ewing reading is severly consistent: her teenage Salome is in the grip of an idealised fantasy of erotic love, so private and self-contained that Jokanaan merely supplies an abstract target for it.

The Seven Veils dance spells out obsessive *yearning* – sensibly not too strenuous, in view of the monologue yet to come, but vividly apropos: even her unashamed final pose looks like the climax of a secret dream, not a public seduction. After that, I missed only a note of rising exacerba*tion in her repeated "The head* of Jokaa-naa-an!" (Strauss has written it viciously into the notes). Both earlier and later, there were places where I wished that she could boast a thrilling pianissimo to match her more forward effects. Yet she found a teasing lightness in places where *Isolde*-voices never do.

Edward Downes conducts the score solidly, and paces it well. *More* thrilling pianissimos from the pit would have been welcome too (especially at the start), and the brass were inclined to bark rather than bite – Downes rarely made Strauss's dynamic "hair-pins" as sharp or as tense as they can be. Even without the oper*atic screw tightened to the hilt*, however, this *Salome* is a remarkably potent affair.

Royal Opera House, Covent Garden. In repertory until to June 10

Opera/Richard Fairman

Aida

Imagine a state banquet in colonial Egypt. The tables are lit by candelabra and potted palms cast their shadow. The guests assemble dressed in full ceremonial regalia and then the pre-dinner entertainment begins: a slide-show featuring moments of glory from the recent war.

This is the triumph scene in Scottish Opera's production of *Aida* at the Theatre Royal, Glasgow. One might have thought that such a wholesale *updating of the opera would* have provoked an outcry when Gilbert Deflo's production was first seen in 1987, but that was not the case. Instead the public has been calling for its return and after five years the request has been granted with this vivid and thoroughly lively revival, which opened on Thursday.

As will have become clear by now, the raison d'être of Deflo's setting is to update the opera to Verdi's own time. This usefully does away with the need for elephants, triumphal *marches and the like*, while still providing scenes which are visually striking. But the production's success in finding late 19th-century equivalents for the ancient Egyptian settings has to be weighed against the difficulty of creating afresh the social and political pressures which *Aida* is all about.

It works best in and around the court. The princess Amneris is here the daughter of a colonial governor. In the heat of the Egyptian afternoon she takes tea with the other European women in a palatial white-and-gold drawing-room. The snobbishness of this superior young society lady is there to be seen and Sally Burgess plays her with devastating insight, catching the cruelty and contempt as she amuses herself, callously playing with the feelings of her black servant, Aida.

This is the individual performance that makes the whole evening work. Although Sally Burgess is a long way from being the contralto that Verdi wanted in the role, she prowls the stage memorably, a feline Amneris whose every line spits with jealousy. Her prey this time is the warm and affecting Aida of Priscilla Baskerville, not a consistent singer at this performance, although at her *best she gives some promise* of becoming a Verdian in the Arroyo mould.

Unfortunately the evening's Radames was ill. Stefano Algieri was reduced to acting the role, while Geoffrey Shovelton sang from a stage box, an arrangement that worked rather better than usual, as our singing Radames came across strong and clear. Donnie Ray Albert was an Amonasro with just enough voice and Frangiskos Voutsinos a not quite imposing Ramfis. John Mauceri led a generally convincing musical performance, based on Verdi's working score for the opera's first Paris production.

Where the show falls down is in the crucial relationship between church and state, for *Aida* no less than *Don Carlos* has this theme at its heart and Deflo has been unable to find any equivalent for the fearsome priests of *Isis*, whose intransigence leads to the opera's tragic conclusion. Those ranks of khaki-clad British officers, each man holding a candle and looking a right lemon, are just not convincing as worshippers of the mighty Phtha.

The production is on tour until July 4

Priscilla Baskervile and Donnie Ray Albert

Theatre/Andrew St George

American Buffalo

David Mamet's 1975 *American Buffalo* is a hard gem of a play with a honed edge. This production by the Film and Theatre Foundation at the Hen & Chickens Theatre, Islington, offers Mamet at his best: meticulously acted in a small studio theatre.

Mamet is the Elmore Leonard of the stage: sharp and tough, with an exact ear *for urban dialogue*. He knows *contemporary urban America* and writes in the idiom of *those at odds with their own* lives and environment. His subjects are the relations between people *forced* by circumstance to deal with each other. His film, *House of Games* dealt with trust, and his 1981 rewrite of *The Postman Always Rings Twice* with betrayal. *American Buffalo* prefigures both.

Mamet starts by *placing the* action elsewhere and allowing its impact to shape the situation on stage. Here, Don's Resale Shop is a clearing house for fenced goods. Amongst its urban detritus a numismatist finds and buys a rare Buffalo head nickel; Don has him followed, planning to steal his collection. Bob, a junkie trading up to larceny, and Teach, a hardened con-man and hustler, are in on the action.

As the robbery is plotted, *the three men become* mutually suspicious, and the play erupts into extraordinary violence. So sit well back to avoid flying shards of set, and be prepared for much swearing.

Mamet's text mixes subtlety and profanity. It demands and receives high quality performances from Steve James, Richard Brake and Jack Panter, showing how betrayals and compromises are made in the name of business, "people taking care of themselves." The characters *are too stupid to reshape their* own lives, but too smart not to be discontented. They resort to profundities which look like ironies: "One thing makes all the difference in the world it's knowin' what the fuck you're talkin' 'bout. It's rare."

The insights are in the dialogue, like a Randy Newman song spoken out: "You OK on the meter?" – "The broad came by already, she came by." Even for the con-men and hustlers, street life can be tough: *"Every day I go out there. There is nothing out there."*

Jonathan Robinson directs. Recommended.

The Hen & Chickens Theatre (071-704-2001) until June 13

INTERNATIONAL

ARTS GUIDE

■ BARCELONA

Gran Teatre del Liceu 21.00 L'elisir d'amore. Repeated tomorrow (with Pavarotti), Fri and Sat (412 1466). Tomorrow and Sat in Teatre Fortuny: contemporary dance by Ramon Oller (977-315059)
Basilica de Sta Maria del Pi 21.00 Capriccio Stravagante in vocal and instrumental works by Lully, Buxtehude and Schütz. Thurs: London Baroque (258 8907). Tomorrow in Palau de la Musica: Yo Yo Ma. Thurs: Alicia de Larrocha. Fri: Maazel conducts *Pittsburgh Symphony Orchestra* (268 1000)

■ BERLIN

MUSIC
Schauspielhaus 20.00 Claus Peter Flor conducts Berlin Staatskapelle and Radio Chorus in Mozart's Piano Concerto No 22 (Tzimon Barto) and Mendelssohn's Lobgesang Symphony, repeated tomorrow, Thurs, Fri, Sat: Milan Horvat conducts Mahler's Fifth. Sun: percussion festival (East Berlin 2090 2156)
Philharmonie 20.00 Georgian Philharmonic and Berlin Concert Chorus in Mozart's C minor Mass and Bach's Magnificat. Fri and Sat: Bernard Haitink conducts Berlin Philharmonic Orchestra (West Berlin 2548 8232)
Deutsche Oper 19.30 L'Italiana in Algeri. Tomorrow: ballets by *Michael Clark, Stephen Petronio* and Bill T Jones. Thurs: Die Walküre. Fri: Aida. Sat: Die lustigen Weiber von Windsor. Sun: Siegfried (West Berlin 3410 249)
THEATRE
Ute Lemper stars in the Theater des Westens' new production of *The Blue Angel, directed by* Peter Zadek (preview tonight, opens tomorrow, West Berlin 3190 3193). The second and final week *of Berlin's annual* German-language drama festival, the Theatertreffen, has Lessing's tragedy Emilia Galotti in a production from Hannover and Strindberg's Miss Julie from Cologne (Freie Volksbühne, West Berlin 8813 742).

■ BRUSSELS

Palais des Beaux Arts 20.00 Riccardo Muti conducts Philadelphia Orchestra in works by Copland, Richard Strauss and Shostakovich (507 8200)

■ LONDON

Covent Garden 19.30 La bohème, with Angela Gheorghiu and Roberto Alagna, also *Thurs*. Tomorrow and Fri: I Puritani. Sat: Salome (071-240 1066). Tomorrow and Sat at Coliseum: Madam Butterfly. Thurs: John Buller's The Bacchae. Fri: Monteverdi's Ulysses (071-836 3161)
Royal Festival Hall 19.30 Nigel Kennedy plays Prokofiev's Violin Concerto with the LPO, conducted by Franz Welser-Most. The programme also includes Ravel's La Valse and Stravinsky's Oedipus Rex, *with Marjana* Lipovsek and Anthony Rolfe Johnson. Tomorrow: Sviatoslav Richter. Thurs: Berlin Radio Symphony Orchestra (071-928 8800)
Barbican 19.45 Dmitri Hvorostovsky and Olga Borodina sing Italian arias and duets. *Tomorrow: Takacs String Quartet.* Thurs: Cécile Ousset (071-638 8891)

■ MADRID

Auditorio Nacional de Musica Lorin Maazel conducts Pittsburgh Symphony Orchestra in Mahler's Sixth Symphony, with alternative programme on Thurs. Also tonight: Spanish National Chorus in works by Purcell and Britten. Thurs: Yo Yo Ma. Fri, Sat, Sun: Luis Remartinez conducts Spanish National Orchestra in works by Bettinelli, Seco and Brahms (337 0100)

■ NEW YORK

JAZZ
Blue Note This week's guest is Nancy Wilson, the renowned song stylist who embraces jazz, pop, *blues and soul. Showtimes* at 21.00 and 23.30, daily till Sun. Dining (131 West 3rd St, 475 8592)
Carlyle Hotel in the Cafe Carlyle, pianist and vocalist Bobby Short has a uniformly witty selection of songs, while across the hall in Bemelmans Bar, Barbara Carroll presides over sets which are equal parts jazz and cabaret. Music from 21.45 (Madison Ave at 76th St, 744 1600)
DANCE
***Lincoln Center** 20.00 American* Ballet Theatre triple bill: Swan Lake Act II, Raymonda Act III and Antony Tudor's Undertow (in Metropolitan Opera House), repeated tomorrow and Thurs. Fri and Sat: Sleeping Beauty (362 6000). Tomorrow till Sun in State Theater: New York City Ballet *(870 5570). Tomorrow in* Avery Fisher Hall: new jazz work by Wynton Marsalis (875 5030)

■ PARIS

Salle Pleyel 20.30 Piano recital by Maurizio Pollini (4561 0630)
Palais Garnier 19.30 Ballet de l'Opéra de Paris in choreographies by John Neumeier, Roland Petit and Harald Lander. Runs till June 30 (4017 3535)
Opéra Bastille 19.30 Elektra with Gwyneth Jones and Leonie Rysanek, also Fri (4001 1616).
Théâtre des Champs-Elysées 20.30 Philippe Herreweghe conducts Kurt Weill's Berlin Requiem. Tomorrow: Michel *Plasson conducts the Orchestre* National de France (4720 3637)

■ ROME

Teatro dell'Opera 20.30 Evelino Pido conducts a revival of the Zeffirelli production of La fille du regiment. Runs till June 6, with next performances on Fri and Sun. Thurs: Aida. Tomorrow at Teatro Valle: The Merry Widow. Sat: La Cenerentola (488 3641)

■ VIENNA

MUSIC
Musikverein 19.30 Orpheus Chamber Orchestra. Tomorrow: Julliard String Quartet. Thurs: Ivo Pogorelich. Fri: Rossini's Petite Messe with Anne Sofie von Otter. Sun: Maazel conducts the Pittsburgh Symphony Orchestra (505 8190)
Konzerthaus 19.30 *Eliahu Inbal* conducts Vienna Symphony Orchestra in works by Mahler and Shostakovich (712 1211)
Staatsoper 19.00 Queen of Spades, with Mirella Freni, also Fri. Tomorrow: Minkus' ballet Don Quixote. Thurs and Sun: Don Carlo. Sat: Der Rosenkavalier (51444 2960)
THEATRE
Hans Hollmann directs the Burgtheater's new production of Dürrenmatt's *The Visit* (opens tomorrow, repeated on Thurs). The repertory also includes Shakespeare's Macbeth directed *by Claus Peymann (51444 2218)*. Fri and Sun at Ronacher: Shakespeare's Hamlet in a production by the Slovenian *National Theatre (586 1676)*.

■ WASHINGTON

MUSIC/THEATRE
● Kennedy Center Opera House has daily performances of Buddy, the musical about Buddy Holly. The Eisenhower Theater is showing the Caribbean musical romance Once on this Island. Garrick Ohlsson is piano soloist in a Rakhmaninov and Strauss programme with the National Symphony Orchestra at the Concert Hall on Thurs and Fri (467 4600)
● Falsettoland: William Finn's moving and irreverent musical. Until June 14 (Studio Theater 332 3300)
JAZZ/CABARET
Blues Alley Jazz Supperclub Tonight's guest is saxophonist Kenny Blake (1073 Wisconsin Ave, *in the alley*, 337 4141)
Barns of Wolf Trap Tonight and tomorrow: Harry Connick. Thurs and Fri: Indigo Girls. Sat: Gatlins Farewell Tour. Sun: Bill Cosby. Next week: Crosby, Stills and Nash (703-218 6500)

■ ZURICH

Opernhaus 20.00 Semiramide, with Edita Gruberova. Tomorrow and Sat: L'Italiana in Algeri. *Thurs: Guglielmo Tell. Fri:* Rigoletto. Sun: Der Rosenkavalier (262 0909)
Tonhalle 19.30 Fabio Luisi *conducts Tonhalle Orchestra in* works by Shostakovich, Gershwin and Borodin (201 1580). Tomorrow: Ivo Pogorelich (261 1800)
Theater 11 20.15 Edmond de Stoutz conducts Zurich Chamber Orchestra in works by Dvořák, Bruch and Jean Françaix (252 1737)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 *World Business Today* – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES
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Tuesday May 26 1992

Time for a Gatt deal

WHEN IGNAZ Kiechle, Bonn's combative farm minister, describes leading farm lobbyists as "day dreamers who have no idea of agricultural political necessities", revolutionary times have come. The reform of the Common Agricultural Policy agreed last week may be a small revolution but it is a revolution none the less. The CAP will never be the same again. Can the Gatt be far behind?

The political necessity of which Mr Kiechle talks is not just the need to cut the cost of farm subsidies, but to prevent a failure to settle the Uruguay Round of multilateral trade negotiations. Another, more specifically German, necessity is to ensure that continued failure will not poison the summit of the G7 leading industrial countries in July, which is to be hosted in Munich by Chancellor Helmut Kohl.

It cannot be assumed that last week's agreement over farm price reform in the EC will lead to settlement of the Uruguay Round. But big obstacles have at least been cleared. The decision to cut cereal prices by 29 per cent over three years, for example, means a much larger proportionate cut in EC domestic support for production. The demand in the draft Uruguay Round agreement for a 20 per cent cut can be met with ease.

Lower cereal prices should lead to reduced production and higher consumption. Once stocks have been used up, this ought to result in a significantly lower quantity of subsidised exports and, with lower domestic intervention prices, a still greater decline in the value of subsidies to exports. Again the Uruguay Round requirement for a 36 per cent cut in the value of subsidised exports, and a 24 per cent cut in volume, ought to be achieved with some comfort.

Differences remain

This does not mean that all reasons for dispute have disappeared. Differences remain over whether the EC's proposed compensation payments to farmers distort production. But this need not prove a great difficulty. Any output due to the compensation is likely to be negligible, certainly by comparison with the US government's deficiency payments, which clearly encourage production. If the result of the negotiation were to leave these compensation payments unchallenged for several years, that should be acceptable to all sides: to the EC, because it should not wish to pay compensation forever for lowering what were outrageously high prices; to lower cost producers, because it would allow EC reform to be banked now and reconsidered subsequently.

Intractable issue

That leaves one hitherto intractable issue: the EC's demand for "rebalancing", effectively a demand that US exports of cereal substitutes to the EC be limited. The US has on principle refused to bow to this EC demand to alter already agreed terms of market access. There is no principled reason why its negotiators should change their stand. Nor should they, since lower EC cereal prices will themselves limit imports of US cereal substitutes.

What is needed now is swift agreement between the EC and US, with the former abandoning the demand for "rebalancing" and the latter accepting the EC's compensation payments for a predetermined period of years. The presence of EC negotiators in Washington this week gives both sides the needed opportunity. The participation of Mr James Baker, US Secretary of State, will add the necessary clout.

However imperfect the agreement that can now be reached, it would at least provide more agricultural liberalisation than many could have reasonably hoped back in 1986, when the Uruguay Round started. Having reached the needed deal, the US and EC should turn their attention elsewhere: to other countries that must make significant offers on agriculture, Japan, first and foremost; and to the other outstanding obstacles, particularly market access and services.

EC reform of the CAP has provided the basis for a final agreement in the Uruguay Round. The US should settle on that basis, recognising that the EC now has almost no room for manoeuvre. Although imperfect, the resulting outcome can deliver what the world most needs: a major trade liberalisation; a strengthened Gatt; and, not least, internationally agreed limits on the world's agricultural policy fiasco.

A cry of foul

BRITAIN'S independent terrestrial television companies are due in the High Court today to challenge a £304m deal struck last week between football's new Premier League and ITV's rivals, BSkyB and the BBC.

This fact alone hardly merits comment; if ITV can demonstrate a breach of contractual procedure in the football deal, it is within its rights to seek to re-open the negotiations. But the roar of hyperbole from the ITV crowd which has accompanied the legal manoeuvre suggests a wider purpose.

ITV executives have made three main points: that football as a sport and a business will be harmed by live coverage passing to a minority satellite broadcaster; that the BBC is unwisely collaborating with its long term enemy; and that consumers will lose by having to pay a satellite company next year for what they have had "free" on ITV this year.

The partisan illogic of these arguments would make a football commentator blush. ITV may be a good judge of its own interest, but is unlikely to be so for the BBC or for football. Nor can anything on a TV network funded by advertising be considered free to consumers.

The doublethink in the ITV position is further exposed by the fact that some of those involved now want ITV to collaborate in a partially pay-per-view approach, possibly with a custom-made satellite football channel, in order to raise the ITV bid.

These are all matters appropriately settled by raw commercial bargaining. Britain's broadcasting act requires that a few big national events be screened only on mass access channels; no one can reasonably argue that such a public interest applies to every kick of the ball in the Premier League.

The new football deal is a good thing. It shows that Britain's more deregulated broadcasting environment can generate enterprising if risky new alliances and potentially more choice – football on a general channel free at the point of watching represents choice denied to those who have paid but do not wish to watch. Broadcasting is now a more competitive game; when you lose, it's no good blaming the other team.

Contracting-out

ONE light shines amid the wreckage of the Thatcher administration's local government policy: the obligation placed on local authorities to put their main services out to competitive tender.

The arguments for compulsory competitive tendering, strong to start with, are virtually unassailable on any objective analysis of the impact of the first round of tendering, now almost complete. It is not so much the success of the private sector in competing for contracts, detailed in today's FT survey of progress to date; nor only the evidence of large cost savings in the provision of some services. Most valuable of all has been the effect of contracting out in obliging local authorities to construct "Chinese walls" between their "client" and "contractor" functions. A premium has been placed on performance and quality even where contracts have remained with in-house labour forces.

Few friends of local government would wish to return to the status quo ante. At the last general election the Labour party, which professes itself a boon companion, proposed virtually to abolish compulsory tendering. Its readiness to reverse that policy will be an early test of its ability to distance itself from the immediate interests of the public-sector unions in the cause of fair competition and the concerns of the consumer. Labour was to the fore in promoting local citizen's charters and should never have allowed itself to be left behind in the struggle to make public services efficient and accountable. It will deserve to lose its position as the largest party in local government if it cannot meet this particular challenge and make this important change.

But if the government is serious in wishing to build bridges with local government it will also need to shift focus in three ways. It will refrain from interfering in the detail of how contracts are packaged; it will clarify the law explicitly to allow local authority direct labour forces to compete for out-of-area contracts where it is financially prudent for them to do so; and it will ensure that a workable scheme is devised to spread competition to local authority white-collar services.

John Lloyd on the wider ramifications of the Armenian-Azerbaijani conflict

Cauldron in the Caucasus

Last Saturday, a couple of young Armenian soldiers stood outside a mosque in Shusha, a town in Nagorno Karabakh just captured from Azerbaijani forces. One of the soldiers raised his Kalashnikov, and began firing at the crescent on top of a minaret. He missed. His comrade tried and missed too. Laughing, they gave up.

The Armenian church above the mosque, part restored, is now a shrine. Outside, boxes containing rockets were piled up high; the church had been an Azeri arsenal, and had just been cleared by the victorious Armenians.

The conflict in the Transcaucasus, in particular that between the republics of Armenia and Azerbaijan, is not explicitly religious. It is about territory. But the conflict is now increasingly legitimised by being set, by the combatants, in a religious and racial setting. The Christians (Armenians) against the Moslems (Azerbaijanis). The dishonouring of each other's religious shrines is a matter of pride.

Thus the conflict, inevitably, draws into its vortex the surrounding states – Russia, Iran, Turkey and Georgia on the borders; the Moslem Central Asian states of the former Soviet Union; even states further off, such as Ukraine to the west and Pakistan to the south. Plus, of course, those countries with large communities of the Armenian diaspora, such as France, the US, Syria and Lebanon.

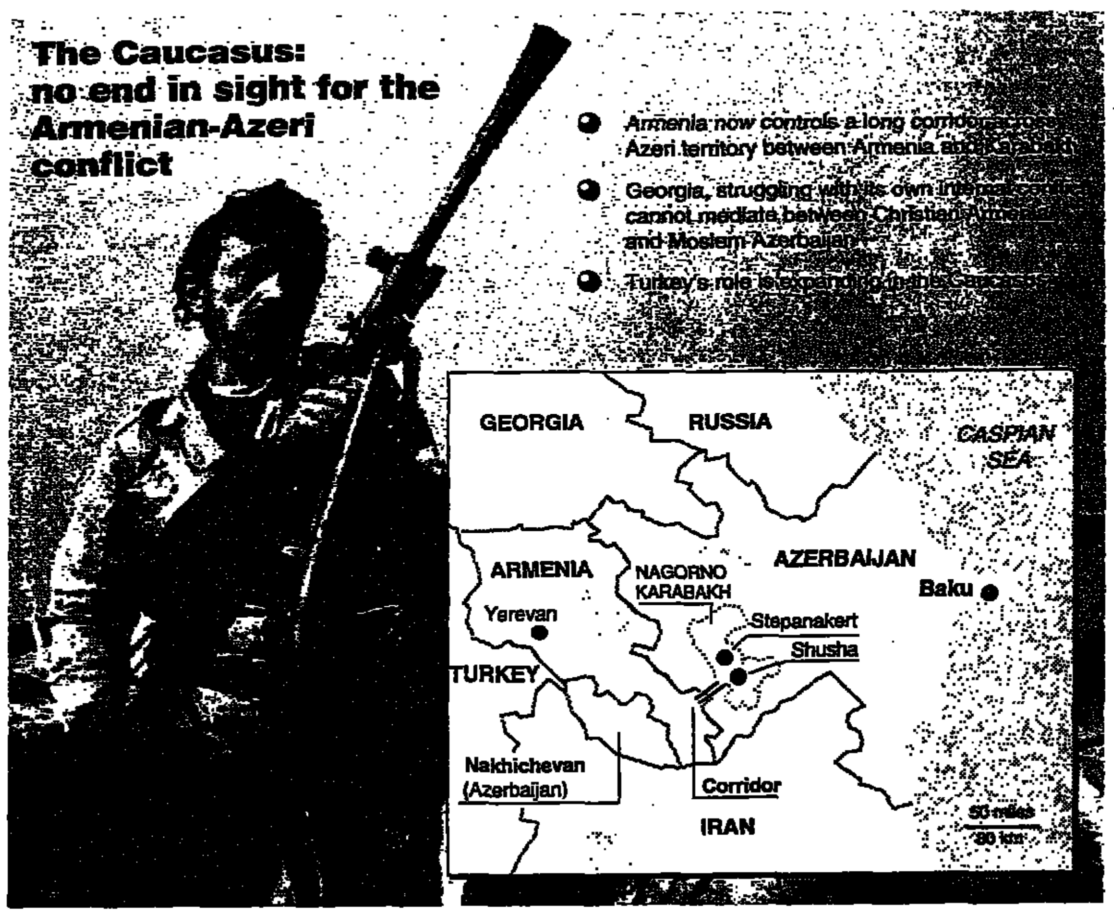
Of these Turkey has emerged as the leading player. Turkey shares a border with Armenia and – for only 12km on its south-east wing – the Nakhichevan region of Azerbaijan. Istanbul has accused Armenia of aggression against Nakhichevan and Mr Turgut Ozal, Turkey's president, even threatened – from his hospital bed in Houston, Texas – to send in the Turkish army.

This threat brought a sharp reaction from Russia, which sent a delegation headed by Mr Genady Burbulis, President Boris Yeltsin's chief aide, to the Armenian capital of Yerevan last Thursday to pointedly begin talks on the continued stationing in Armenia of the Seventh Army, now under Russian control. A week previously Armenia had signed a mutual security pact with Russia and four other former Soviet republics. Marshal Yevgeny Shaposhnikov, head of the armed forces of the Commonwealth of Independent States (CIS), warned of war between Turkey – a Nato member – and the CIS. Suddenly, the obscure little Armenian-Azeri war had become very important.

Following the Soviet collapse, the countries around the ex-superpower's borders have sought to increase their influence on its former republics. None more so than Turkey. Its diplomats and traders have been especially active in Azerbaijan (the Azeris and the Turks are ethnic kin), and in the Moslem Central Asian states, which have been offered Turkish aid.

Mr Hikmet Cetin, Turkey's foreign minister, currently in Mosocw with his premier Mr Suleyman Demirel for talks with Russian leaders, proposed last week the convention of a regional initiative to solve the Armenian-Azeri dispute – an apparent bid for regional hegemony.

Ukraine, increasingly of the opinion that anyone who challenges Russia should be treated as a friend, sees Turkey as an ally in its struggle with Russia over possession of the Crimea (till the mid-19th century part of the Ottoman empire). Ukraine is willing to resettle the (Moslem) Tatars back in their Crimean homeland; Turkey, with an influential Tatar minority, is supportive.



Throughout what were the Moslem areas of the former Soviet Union, parties speaking in the name of Islam are growing in strength. Last month, Moslem militants making common cause with a democratic movement forced the Tajikistan government to form an uneasy coalition with their representatives. Two of the autonomous republics within Russia itself – Tatarstan and Chechen Ingushetia – have Moslem-oriented governments.

The more Armenian militants present their conflict with Azeris as one between Christian and Moslem civilisations – as they increasingly do – the more this provokes a hardening response from Moslem nationalist-religious forces. The Caucasian conflict has the power to send shock waves through the crumbling fabric of the former Soviet Union, and far beyond.

At the epicentre is Nagorno Karabakh, the beautiful little mountain enclave which contains no more than 150,000 people, the bulk of whom are Armenian. In the Soviet period, Karabakh's status was that of an autonomous region within Azerbaijan, a fact which has always been deeply resented by Armenians. In 1988, a group called the 'Karabakh Committee' started agitating in Yerevan for the return of Karabakh to Armenian control. Today, the Karabakh Committee forms the leadership in the Armenian state.

Since 1988, as Moscow's control weakened, the Armenian-Azeri issue has slipped beyond compromise. In 1988-89, there were massacres of Armenians in the Azeri cities of Sumgait and Baku; Armenians living in Azerbaijan streamed into Armenia (and into Karabakh) from Azerbaijan, while Azeris fled revenge in Armenia. The Soviet army occupied Karabakh in 1990 and tried to impose calm. When it began a pull-out early this year, hostilities became open.

In March, the government of Mr Ayaz Mutalibov, the communist president of Azerbaijan, fell. The Armenians immediately went on the offensive. They expelled most of the remaining Azeris from eastern Karabakh – leaving Azeri forces controlling only one centre, Shusha, a few kilometres from the enclave's present capital, Stepanakaert. From Shusha, the Azeri garrison kept up a bombardment against Stepanakaert.

Many of the buildings in the central area of Stepanakaert have been either destroyed or damaged. The town's inhabitants have lived in cellars for months; their ration of food is down to a kilogramme of flour a month – supplemented with what they can get from the barely functioning markets. There is no electricity, no gas, no running water. In the central hospital, Dr Mesrop Makaryan said medical care could only deal with the wounded. Other illnesses are unattended.

Faced with such an onslaught, the Karabakh Praesidium decided on May 7 that the only defence was attack, according to Mr Levon Melik-Shakhnazarian, the head of the committee on foreign affairs in the Karabakh Supreme Soviet and a member of the 11-strong Praesidium.

After making a feint at the Azeri-held position of Janhassan behind Stepanakaert (which succeeded in diverting Azeri forces), the Armenians launched their main – and successful – assault on Shusha. Today, Shusha, now even more destroyed than Stepanakaert, is held by Armenian soldiers – and Armenians are returning to the Armenian quarter in the town.

The capture of Shusha has made possible the realisation of a long-held Armenian aim – the opening of a corridor from Armenia to Karabakh across the narrowest part of Azerbaijan, separating the two by only a few kilometres. Shusha, while under Azeri control, had once commanded this road; now it is in Armenian hands. On May 17, Armenian forces from Karabakh and Armenia launched attacks on the town of Lachin on the western Azerbaijan-Karabakh border. The town, in a valley, was an easy target.

At the weekend, a few days after the battle for Shusa, the town was again being looted and burned by the Armenians. Lorries, vans, private cards and oil tankers roared up the narrow mountain road, hauling back the spoils of war to Armenia. In the town centre, Karabakhers piled provisions from the shops onto carts to take back to Stepanakaert. A body so burned as to be recognisable only by a hand lay pounded into the garbage on the road. Dead farm animals lay decomposed at the entrances to flaming (Azeri) homes, the unlooted possessions strewn about.

None of the Armenians spoken to believe the corridor is secure. Mr Oleg Yesoyan, the Karabakh prime minister, said: "I hope other nations will understand our need for the corridor – without it we lose our land."

After the corridor was established, a new front was opened up on the borders of Nakhichevan. This strip of land, nestling against the Iranian and Turkish borders, is part of Azerbaijan – though separated from it by Armenian territory. It is a matter of dispute who began hostilities on the borders of Nakhichevan; but it is probably academic now, for last week the Armenians were shelling the town of Sadarak just inside the Nakhichevan border and the Azeris were returning fire, hitting Armenian villages.

In Sadarak, Mr Halil Gajiev said his two grandchildren had been killed by a rocket. On the Armenian side, in the village of Sevakavan, the family of Knyazyan live in the dirty basement of their house, itself holed by a shell.

This theatre seems to have won a respite. Mr Gaidar Aliev, the Nakhichevan president, has agreed with Armenia's President Levon Ter-Petrosian to the creation of a security zone along the border. Indeed, at the end of last week, Mr Aliev was on the phone to Mr Ter-Petrosian begging for a ceasefire.

For this Mr Aliev has been criticised by the new government in Baku. And in this criticism is a clue to the depth of the dispute. For in Baku, the Popular Front which now governs is an exact counterpart to the Karabakh Committee ruling in Armenia. In short, it is the militants who now command in Baku and Yerevan.

Real peace is unlikely. Overtures from the Conference for Security and Co-operation in Europe, and from the UN, to mediate between the mutually contradictory responses from Karabakh (backed by Armenia) that it be accorded the independent statehood it seeks, and from Azerbaijan that Karabakh be treated as an integral part of the republic of Azerbaijan, seem unlikely to yield fruit.

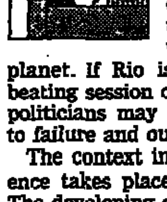
Mr Demirel, the Turkish premier, will today report on his two days of talks with the Russian leaders, which last night culminated in the signing of a new treaty of co-operation between the two states. It is a safe bet that he will seek to blur the recent outbreak of enmity which sprang up like a flame. But his sphere of influence is expanding. His interlocutors in Moscow are struggling to contain the shrinking of their own formerly undisputed suzerainty of the region. The collapse of the Russian empire has so far had – in the historical scale – few casualties. But its consequences are only just beginning, and the ethnic and religious cauldron of the Caucasus is an early and frightening test.

Additional reporting by Dmitri Volkov in Nakhichevan

PERSONAL VIEW

Why Rio must deliver

By Carlo Ripa di Meana



World leaders meeting next week in Rio to discuss the environment and development must come up with concrete solutions to the problems which beset the planet. If Rio is simply a breast-beating session or a stage on which politicians may strut, it is doomed to failure and our planet with it.

The context in which the conference takes place is not promising. The developing countries are suspicious of the motives of the developed world. They claim, rightly in my view, that the richer countries will have to put their money where their mouthes are if the poorer countries are to sacrifice their short-term vision of development in favour of more sustainable solutions. Add to that the appalling problems faced by eastern and central Europe and you have a potentially explosive mixture.

What are the prospects for success? At the last preparatory meeting in New York, agreement was reached on the 27 principles of the proposed Rio Declaration on Environment and Development. More than three-quarters of the Action Programme called Agenda 21 was also decided upon, including the crucial chapter on the institutional follow-up to the conference. On the negative side, however, the preparatory conference was unable to resolve the finance, technology co-operation, forestry, atmosphere, bio-diversity and bio-technology chapters of Agenda 21.

The forestry principles, which the European Community believes should serve as the basis for the negotiation of a legally binding forestry convention after Rio, are still a long way from completion. And omens for the bio-diversity convention are not encouraging while talks on the climate change convention also give cause for concern.

The EC supported and will continue to support the establishment at a global level of clear targets for stabilising carbon dioxide emissions, along the lines of the year 2000 target as agreed by the Council in October 1990. We cannot afford to compromise on this. The intransigent position adopted by some countries has resulted in a vague draft convention with many exceptions which verges on the void.

It is hard to avoid the conclusion that, in some cases, the welfare and perhaps the survival of the planet is being sacrificed to short-term electoral or economic gain. The present weak draft was precipitately accepted by the eco-diplomats of the participating states, perhaps in the hope of a trade-off in another forum, such as the Gatt. In any case, the Rio conference should sound the death-knell for eco-diplomacy as it has been practised up until now. The European Commission will continue to press for a more ambitious and binding convention. The run-up to Rio must be used to strengthen the text.

A last effort by the 12 EC member states and by the European institutions should be launched, notably in two key areas of finance and climate change. In finance, the world is looking to the EC to break the deadlock on increased funding to promote the transition to sustainable development in the Third World. Member states now need to put their money on the table, in particular by setting a date for reaching the 1970 UN target of 0.7 per cent of gross national product for official development assistance. The Commission has been urging member states to agree a EC-wide commitment to attain the 0.7 per cent target by 2000, but some governments refuse to set a clear date. Without this, the EC's commitment to partnership with developing countries will look hollow.

So far, the Community's strong negotiating stance in the climate convention negotiations has been intimately linked to its high-profile interest in the use of economic mechanisms, such as a carbon tax, to achieve the necessary changes in production and consumption patterns. There is a firm decision on the Commission's part to introduce a Community carbon/energy tax. The proposal represents a revolutionary departure for our environmental policy since, for the first time on such a supranational scale, a system of prices and market mechanism is to be used for the defence of the environment.

Criticism has been voiced, by the European Parliament in particular, of the conditionality of the tax. The conditionality proposed by the Commission represents, at this stage, an efficient way, on the eve of Rio, of drawing the attention of all other states to their responsibilities.

Rio is not the end of the race but a timid passage of a new process. Its content, with its reticence and silence, notably on population growth, is not commensurate with the size and the gravity of the problems. The EC has to a large extent already gone beyond the solutions of Rio. We must now open new talks to arrive at additional protocols which will put flesh onto the bare bones of the climate convention. These protocols will thus result in concrete decisions with binding obligations to achieve precise targets. The Commission will not spare its efforts to achieve that.

The author is EC environment commissioner

Northern city of steel shows signs of rust

Sheffield's financial difficulties mean the council must make hefty budget savings, axe jobs and cut services, writes Michael Cassell

Sir Robert Scholey hails from Sheffield, along with the steel industry to which he has dedicated his working life. He recently returned to the city of his birth and was saddened by what he saw.

Outside the Victorian gothic town hall in Pinstone Street, the chairman of British Steel frowned at the neglected flower beds and the dribbling, dilapidated fountain.

Sir Robert returned to London and wrote a letter to the Sheffield Star, reprimanding the city fathers for an evident loss of civic pride.

The front page of the edition in which it appeared carried a banner headline demanding that the city's ruling Labour group "come clean" about the financial crisis which it said the council had created.

"Empty flower beds are a tiny hint of what is to come. For years, we've accused the council of hiding from reality and now they've come horribly unstuck," according to Mr David Heslop, leader of the council's Tory group.

Outnumbered six-to-one on the Labour benches, Mr Heslop's team may have all the impact of a gnat's bite on an elephant's backside. But it is no longer alone.

The city treasurer, Mr Malcolm Newman, has warned the council about living beyond its means. Councillors have also received a letter from Mr Gordon Sutton, the district auditor, referring to the threat of serious fiscal problems ahead.

Mr John Hambidge, chief executive of Sheffield's chamber of commerce, says the council has chosen to ignore the warning signs for years but that the "day of reckoning has arrived". Mr Irvine Patnick, the only Conservative MP in Sheffield, says the authority "is on the edge of a precipice, hanging on by one finger".

Despite an increase in the poll tax from £217 last year to £281 in 1992-93, the people of Sheffield now face a summer and autumn of announcements which will gradually expose the extent of the city's difficulties. In the short-term, the council has to find savings of about £10m in the current year's £400m budget. The city treasurer has talked of cuts reaching £50m next year.

There are rumours of possible large-scale redundancies within a council workforce of 26,000, making it the largest local employer. The city has in the past put job protection on an equal footing with the provision of services but now Mr Mike Bower, the newly elected Labour leader, acknowledges: "Perhaps the balance was wrong. We can no longer afford to employ people in all the jobs we need them to do." Other possible action includes rises in council rents, cuts in education budgets and the closure of old peoples' homes.

The city was once the proud model of Labour local government when Mr David Blunkett, now the party's local government spokesman, was its leader. Now it stands accused of indulging in a costly binge, running down reserves and of turning creative accounting into an art form while wilfully defying the constraining influence of central government. Most recently, it was charged with gambling on a Labour central government riding to its rescue after the general election with desperately needed extra cash.

'We are said to be barmy and to waste money. The truth is we have fought against unfairness'

Ironically, the city played host to Labour's now notorious election campaign rally which is said to have sown the seeds of Labour's defeat.

Despite warnings from the party's national leadership that the city could not expect a blank cheque, the council counted on better times under a more generous regime. There were high hopes of an immediate release for use of £23m of capital receipts from council house sales and an end to any threat of capped budgets.

The council's elected leaders vehemently deny the allegations against it, although they accept they face a series of painful decisions in the short-term as well as a fundamental rethink about the future. One likely result is a redefining of the council's role and a shrinkage of its traditional civic responsibilities.

The significance of Sheffield's dilemma, beyond the immediate impact on its own state of health, is that many other authorities may be forced to follow as the Conservatives continue to erode local government powers.

The city's problems go back at least to 1985, when the council was rate-capped and it sought to sustain its spending programmes by turning to Banque Paribas to syndicate a £90m loan that will have to be repaid into the next century.

Its difficulties were compounded by the decision to seek to boost its international status by staging last summer's world student games – an event no city outside the UK wanted. The games entailed capital expenditure of nearly £150m and left in their wake, alongside some spectacular sporting facilities, an operating loss of £10.5m. The city now faces an inquiry into the losses by the district auditor.

Mr Bower denies the city is on its knees but accepts that morale is low after Labour's national defeat: "The perception is that we are barmy and waste money. The truth is that we have been fighting against unfair treatment by central government for years to provide badly needed services."

"We cannot see any prospect of outside help and we will have to take apart, penny by penny, £700m of gross expenditure and start again."

He argues a case repeatedly made by aggrieved councils: that Sheffield's problems stem primarily from years of underfunding by a hostile Whitehall. In the past four years, he says, reductions in government grant to the city have cost it more than £120m, while comparable cities with similar socio-economic problems have done better.

Mr Bower wins support for his accusation of underfunding from Mrs Pamela Gordon, the city's chief executive. She says big budget cuts look inevitable and points out that government grant per adult is 11 per cent below the national average for metropolitan districts. Sheffield, she adds, is 28th in the league of 36 districts when it comes to the allocation of government funds.

The council, meanwhile, has to get on with the cost-savings. Mr Bower says he expects a significant part of council services to be maintained, while some will be scaled down and others abandoned completely. He hopes compulsory redundancies can be avoided. In spelling out possible solutions, he cites an Italian council which contracts out social services to local co-operatives and German authorities which hand over day care for children to the churches.

Mr Bower says he has a stand-by plan in his back-pocket: "If we cut the working week from 37 hours to 35, but pay people for working 36, the workforce gets two more leisure hours but only loses one hour's pay. We save £10.5m and although everyone suffers a little, nobody suffers a lot."

The idea of paying people for one hour's work which they are not expected to do does not give the Tory group many grounds for believing that Labour in Sheffield is about to change. According to Mr Heslop: "It's typical of the crisis management in which this council has excelled. If Councillor Bower has any sense, he will keep the silly idea deep in his back pocket."

OBSERVER

Shin-jinrui get itchy feet

■ The urgent call put through to Yoshi Noguchi as head of a smallish US company's branch in Japan, came from the young Japanese he'd just recruited as sales manager from one of the country's best known groups. Regretfully, the caller announced he wouldn't be taking up the job, adding by way of explanation: "I'm not married, you see."

"That probably strikes you as meaningless," says Noguchi five years later. "But to a Japanese, it makes perfect sense. If you're ambitious, then as well as the right credentials – approved kindergarten, schools, university and so on – convention requires you to have the right sort of wife. You simply won't be able to attract one unless you work for an organisation with a famous name."

It was impatience with such conventions that finally led Noguchi to divorce himself from his native land and set up in Los Angeles as a headhunter with the Paul Ray International executive-search firm. And he reckons that, while most Japanese still prefer the established customs, a growing number of managerial high-fliers are minded to follow suit.

"They're the new generation, the *shin-jinrui* who put making their own fortune above serving their company even though it may employ them for life. That traditionally means rising slowly to a senior job in the mainstream, then being put out to grass in a subsidiary until you retire. The conventional term for it is *amakudari* or 'descending from heaven', but the young set call it *iki-goroshi*: 'being buried alive'.

"Besides," Noguchi adds, "with the recession, they've seen lots of their elders being given, not *amakudari* but *kata-tataki* – the pat on the shoulder that means 'Thanks for doing a good job, now clear your desk and go'."

Official line

■ The bureaucratic bent for seeing problems in everything is apparently highly developed in the Belgian civil service. When it introduced flexi-time working, the worry arose about how to prevent jams in its entrance corridors as late arrivals and early leavers tried to get past one another.

Eventually, the tidy official minds decided to have a white line painted along the middle of each corridor, so dividing it into two lanes with in-comers using one side and out-goers the other.

The project was dropped, however, before the paint had even been ordered. An ad hoc survey showed that the late arrivals and the early leavers were the selfsame people.

On the ball

■ Is there method in the madness of Michael Knighton's switch from the board of lofty football club Manchester United to ownership of lowly Carlisle United?

The move might seem senseless given that besides being a tail-ender in the Football League's division IV, or division III as it will be known next season, Carlisle loses over £3,000 a week. But it is to become the model for another Knighton venture, a sports consultancy called Centre Forward.

He will be joint managing director of the consultancy with Simon Pitt, who has produced two very gloomy reports about the financial state of football. Indeed the latest survey – entitled The

Bankrupting of English Football, and putting the 92 clubs' combined debt at £150m – will be Centre Forward's "headline" publication.

Knighton, who made his money in property in the 1980s, paid £1m for Carlisle United. It evidently has an interesting location.

There's also some evidence that he has a nose for a football bargain. He came close to buying Manchester United for £20m three years ago. Its flotation price last year valued it at nearly £47m and reaped about £6m for Martin Edwards, the biggest shareholder, whom Knighton nearly bought out.

Even at United's more recent market value of £34m, the increase is a tidy one.

Last ditch?

■ Peripatetic Canadian-born currency economist Paul Chertkow, has surprised even friends by his decision to ditch Citibank to join UBS in London as head of global currency research, a newly created post.

True, he is well known not only for jumping off, but for landing on his feet. In just over five years, his currency forecasts have dropped on clients' desks from addresses as diverse as Hongkong Bank, Security Pacific Hoare Govett, Drexels as well as, until a few days ago, Citi.

Even so, since that last move gave him a perch with the pre-eminent force in global foreign exchange, the 44-year-old currency specialist had been sounding as if he had at last found a home. Not so.

Now, with yet another new challenge accepted, he says he intends "to retire at UBS". (Observer undertakes to remind him of that forecast if necessary). "I've been paid well for quite a while," he adds, explaining that the breadth of the job, not money, was the decisive issue.

The arrival of Chertkow, no shrinking violet, may well put noses out of joint. Already Malcolm Roberts, head of bond research, and chief UK economist Bill Martin are not known for the harmony of their views. So despite Chertkow's claims that they're all old and very good chums, territory could be an issue.

While the new boy will no doubt rise above such things, it's a fair bet some delicate egos will be jostling for attention soon. Perhaps it is fortunate that the recent UBS edict, meant to stop equity analysts wasting time talking to the press, doesn't extend to the economics department.

Object lesson

■ A US economics professor is walking along lecturing a money trader on the high state of development of financial markets, when a $20 note comes blowing along the sidewalk. "That just can't be," he says, "With our efficiency, windfall profits like that can't happen any more."

With a shrug, the trader picks up the note and pockets it.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Training as apprentice invaluable

From Mr Richard M Trim.

Sir, As one who is fortunate enough to have had a student apprenticeship in electronic engineering, I found the article by Malcolm Craig (Personal View, May 20) most interesting.

I agree entirely with his views concerning the adverse effects on British industry of the decline in the availability of craft apprenticeships, but suggest that the position is even more serious in relation to the reduction in student and graduate apprenticeship opportunities.

My own student apprenticeship, which was with Cossor Electronics, was most carefully planned and was overseen by a senior member of the research and development laboratories, in which I was employed as an electronics development engineer after my training.

As an apprentice, I spent periods in all of the manufacturing departments and in the drawing office, the last year being spent in the marine radar development laboratory. I eventually became technical director and, latterly, joint deputy managing director.

Many of those now in senior positions in industry had the benefit of a student or graduate apprenticeship – the excellent training which I received during my student apprenticeship has been of the greatest benefit to me at all stages in my career.

Perhaps this is a matter in which the Engineering Council should take an interest.

Richard M Trim,
managing director,
Gilden Research,
17 The Mount,
Fetcham,
Leatherhead,
Surrey KT22 9EB

Economic liberals not believers in market infallibility

From Phillip Oppenheim MP.

Sir, Joe Cryans is incorrect in his assertion that free marketeers believe that markets are infallible (Letters, May 16). Rather, most economic liberals consider that the aggregate of thousands, or millions, of free choices of those most closely involved in economic decisions – consumers, investors, businessmen etc – are rather less fallible than the edicts of politicians and bureaucrats imposed from above.

Perhaps it would be helpful to remind Mr Cryans that during the 1970s the development of London's Docklands, which he proposes as an example of market failure, was largely in the hands of a committee of borough councils and the Greater London Council, during which period precisely nothing was done.

Maybe, moreover, Mr Cryans should ponder the probability that most of the unfortunate victims of the formerly centrally planned eastern bloc countries would deem themselves more than fortunate if they enjoyed the housing, food and income of the Los Angeles "underclass" whose recent rioting he blames on market economics.

Phillip Oppenheim,
House of Commons,
London SW1A 0AA

Rail should pay as well

From Mr Thomas E Whittle.

Sir, Your objective leader ("Privatisation plus for BR", May 19) is flawed by your suggestion that road users should be charged "social costs", or make the use of railway tracks free.

It is difficult to obtain the true facts, but Malcolm Rifkind, former transport secretary, said on TV that road users pay in taxes twice the expenditure on roads. Presumably this does not include Vat, at least on cars, servicing and spares. Other authorities have put road taxes at over four times spending on roads.

The view seems to be that road taxes are a form of general taxation (third after income tax and VAT) and do not relate to road expenditure. But all vehicles, not least freight, pay very heavily for use of the roads. Rail pays little or no tax and if the use of the track is to be free (a charge on the taxpayer) then rail should pay comparable taxes to road.

Thomas E Whittle,
19 Kildoon Drive,
Maybole, Ayrshire KA19 8AZ

Clearing up tax question

From Ms Stephanie Bradley.

Sir, May I help to clear up any uncertainty there may be about the tax treatment of language lessons provided by an employer to an employee (Letters, May 14 and May 18).

There is an Inland Revenue extra-statutory concession which can exempt employees and directors from tax on the expenses incurred by employers in providing external training courses. But the training must lead to the acquisition of knowledge of skills which are either necessary for the duties of the employee's current job or directly related to increasing effectiveness in the performance of his or her present or prospective duties.

This concession would apply to the majority of training undertaken by employees who are learning languages for business purposes.

The full terms of the concession are set out in a free Inland Revenue booklet, IR1, "Extra-statutory concessions", available from any tax office.

Stephanie Bradley,
press secretary,
Inland Revenue,
Somerset House,
London WC1R 1LB

Government unaware of dire state of manufacturing

From Mr Leon di Marco.

Sir, I should not have been surprised that in his speech to the Confederation of British Industry ("Lamont vows to defeat inflation", May 20), the chancellor of the exchequer devoted less than one quarter of his closely argued diatribe to address the problems of British industry.

It seems that the government has yet to learn that the state of manufacturing industry is dire. Transparent misleading manipulation of growth figures, using 1983 as a base, will not disguise the awful state endemic in British industry.

A one and a half club industry policy will not help Britain in its competitive struggle with the rest of the world. No amount of 'Pattenised' Thatcherism will substitute for a progressive strategy to galvanise the efforts of industry.

The Treasury may not yet have worked out the opportunity cost of the property boom and bust to Britain. What is needed at the Treasury now is a fourth secretary, together with the chief economic financial and economic secretaries, in charge of day to day industry/Treasury co-ordination with the DTI and the country.

It may be necessary to have a Plowden mark two with a wider remit, to examine the whole recent performance of the Treasury with respect to the British economy. Changes to farm out the disastrous forecasting job will not be enough.

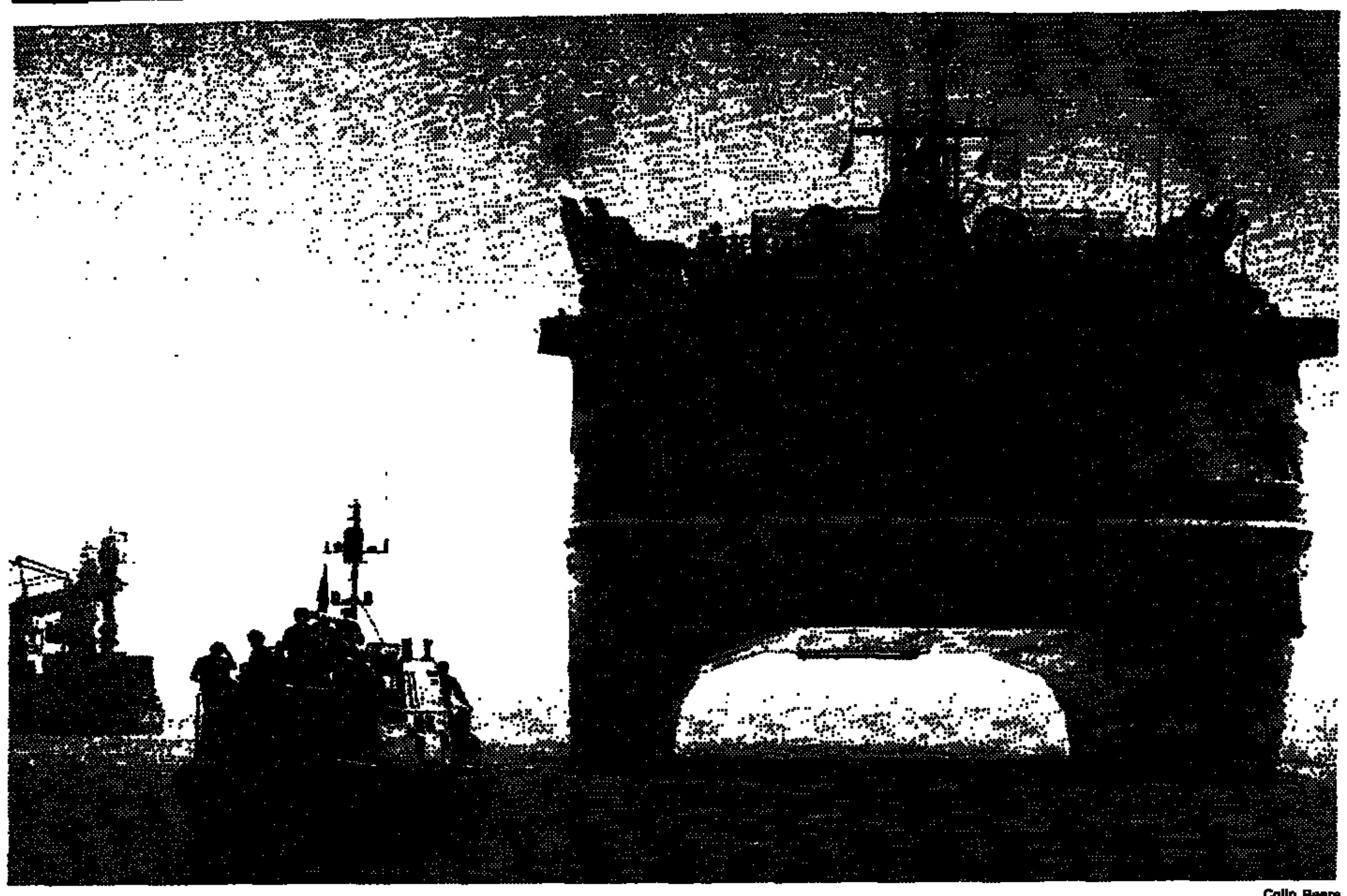
Macroeconomic policy is simply not a subtle enough tool to deal with the complexities of modern industrial policy, when countries are active in forwarding their own strategic industrial goals.

Any one deeply involved in manufacturing will recognise that the future is outside Britain, and will continue to move their effort abroad under the present regime.

There is no time to lose.

Leon di Marco,
FSK Technology,
49 Essendine Road,
London W9 2LX

FINANCIAL TIMES
Tuesday May 26 1992



Colin Beere

THE SSC Radisson Diamond, described by its owners as the world's first twin-hulled cruise ship, arrived in London yesterday on its maiden voyage from the Rauma shipyard in Finland. The $125m ship, which is operated by Diamond Cruises of Helsinki, uses a revolutionary hull design named Swath – *Small Waterplane Area Twin Hulls. The owners say 35 per cent of* the $600 fare each of the 354 passengers will pay for a week long cruise will be donated to the Red Cross

Revised policy draft puts greater emphasis on peacekeeping role of UN

Pentagon reshapes its strategy

By Jurek Martin, US Editor, in Washington

COLLECTIVE security rather than the preservation of sole military superpower status should be the principal goal of US defence policy for the remaining years of this century, according to the Pentagon.

A revised draft of a controversial internal policy paper leaked in February no longer states that the overriding US national security goal should be to prevent the emergence of a rival to American military hegemony.

Instead, according to leaks to the New York Times and other publications of the 1994-99 Defence Planning Guidance, a prime goal should be to "strengthen and extend the system of defence arrangements that binds democratic and like-minded nations together".

While it does not preclude the formation of ad hoc coalitions, as in the Gulf war last year, it places great emphasis on the value of United Nations peacekeeping operations and regional security agreements such as Nato. The first draft had warned against "the emergence of European-only security arrangements" among US allies.

The careful leaking of the revised document appears to mark the end of a curious passage in the US defence policy debate this year and a victory of sorts for the internationalist wing of the defence establishment over its more unilateralist counterpart. It now awaits formal approval by President Bush.

The original draft had drawn intense criticism at home and abroad. It had been attacked domestically as an attempt by *the Pentagon to justify sustain*ing high levels of defence spending at a time when a post-Cold war diversion of resources to home use was widely considered politically and socially necessary.

Overseas, the first draft was interpreted as a warning to allies like Japan and Germany not to challenge US military supremacy and to nations as different as Russia and India to hold back on any plans to develop regional military hegemony. Given the absence of any recent elaboration of Mr Bush's concept of a "new world order," its muscular tone appeared to imply little fundamental change in US thinking in the wake of the collapse of the *Soviet threat.*

The changes in the document were freely ascribed to the recent inputs of Dick Cheney, the defence secretary, and General Colin Powell, chairman of the joint chiefs of staff. However, both drafts were written by Paul Wolfowitz, who is close to both Mr Cheney and General Powell and could hardly have been unaware of their views.

The shift in geopolitical emphasis and the adoption of more moderate language in the second draft did not bring about any change in what the Pentagon considers its minimum needs. These include a "base force" military establishment of 1.63m active duty troops, the continued capacity to wage two regional foreign wars simultaneously, with a minimum of 125,000 troops stationed in Europe and the ability, as in the Gulf, to mobilise overseas a 500,000-strong force.

As a result, it does not envisage a large "peace dividend" in the foreseeable future. "We must recognise what we are so often told by the leaders of the new democracies – that continued US presence in Europe is an essen*tial part of the west's overall* efforts to maintain stability even in the midst of such dramatic change," the draft states.

Most of the hypothetical scenarios under which US troops might fight overseas also remain unchanged. These include a Russian invasion of Lithuania through Poland and a US-led Nato counterattack.

The second draft asserts that Israel remains the first among American friends in the Middle East and must continue to be provided with a "qualitative" military edge while regional peace talks continue.

Nor does the second guidance document abdicate what the first draft had called more bluntly "the pre-eminent responsibility" to act alone where deemed necessary. It says, in softer tones, that "while the US cannot become the world's policeman....neither can we allow our critical interests to depend solely on international mechanisms that can be blocked by countries whose interests may be very different from our own."

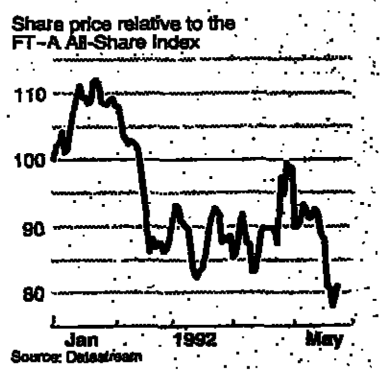
THE LEX COLUMN

Private hopes in Paris

Last week's surprise announcement *that the French government plans to* sell most of its remaining stake in Total puts privatisation firmly back on the financial markets' agenda. With FF2bn already in the kitty from Elf Aquitaine, *the FF8bn-FF10bn which* might flow from lightening the state's holding in a second oil company and the FF2bn-FF3bn expected from the sale of a 24 per cent stake in the CNP life insurance company *will* take aggregate privatisation proceeds this year well beyond the government's revised FF10bn target (set just one month ago). The questions now are who will be next, and what impact will the new paper have on equities and bonds?

LASMO

Share price relative to the FT–A All-Share Index



Source: Datastream

The legendary vicar of Bray might well have been proud of the numerous changes in French Socialist industrial policy over the past decade, which have owed much to the triumph of pragmatism over principle. Mr Mitterrand's famous *ni-ni* pledge, for example – neither nationalisation, nor privatisation – has now clearly been modified through the government's willingness to reduce its stake in some *public companies to 51 per cent. The* speed with which this will be pursued in the short term will depend on the success of the Total operation, and the extent to which asset sales rather than a widening *budget* deficit are used to finance prime minister Bérégovoy's assault on unemployment in the run up to next year's poll. Longer term, the prospect is for an ambitious privatisation programme of up to FF300bn over the life of a government if the conservative parties are elected, or a more modest one of perhaps FF50bn if the Socialists get back.

Total always looked a plausible choice given its healthy share price, its appeal to international investors, and its status in the market as a com*mercial rather than a state* entity. Betting on the next candidates is more tricky. The big insurers – UAP, GAN and AGF – are the favourites in some quarters and enabling legislation permitting the government's stakes to be reduced below 75 per cent will soon be in place.

A possible complication – as with some of the industrial companies which expanded outside France in the second half of the 1980s – is that they may want to keep too much of the new capital for themselves. Shearson Lehman believes Rhone-Poulenc and Pechiney (with government stakes of 57 and 56 per cent respectively) meet most of the criteria, although the former does not have listed ordinary shares and the latter's restructuring is not yet complete.

Since longer-run privatisation proceeds will be used mainly to repay debt, the impact on French fixed-income markets hardly be negative. The shares of *those* companies in line for partial privatisation should benefit as the perception grows that state involvement will be cut, although the *shares of the insurers* have already outperformed for this reason. As for the market as a whole, much may depend on whether French investors can be persuaded to load up with equi*ties, given a reduced supply of bonds.*

UK utilities

However controversial the principles, the privatisation and regulation of the UK's public utilities has been admired and even copied abroad. Specifically, the notion that regulators should encourage competition and efficiency, principally by controlling the prices charged by monopolies, is seen as a welcome advance on the US system. The latter involves regulators setting rates *of* return and then ensuring the utilities do not deviate. By contrast, the UK model gives customers and competitors a clear idea of what to expect, while allowing managers and shareholders alike to benefit from genuine efficiency gains.

It is thus disturbing to perceive that UK regulators are in unwitting danger of becoming more like their US counterparts. As Robert Fleming says, there is a natural link between price-based and rate of return regulation. After all, when a UK regulator sets a price cap, it assumes a judgment about the underlying profitability of the company in question. That need not involve an acceptance that the main basis of setting prices should be the rate of return. But that is exactly what appears to have been happening.

Sir Bryan Carsberg's departure from Oftel could well be accompanied by an agreement with BT on its inflation-linked price formula. The heart of the debate, however, has not been the long-term effects of lower inflation on the formula but BT's cost of capital, a benchmark for its rate of return. A *similar debate* has begun in the water industry.

The main objection is not that rates of return are subject to arbitrary judgments, although there is plenty to sug*gest that is the case. Rather, it is that* the implied approach is opposite to the original regulatory intention of encouraging both competition and efficient management of monopolies. Hapless investors might *reasonably ask* whether they should risk a creeping change of such magnitude.

Lasmo

Last week's 10 per cent fall in Lasmo shares raises fresh questions about the outlook for the group. Granted, the shares are still comfortably above their recent low. It is conceivable that a sustained rise in the oil price following the mildly optimistic Opec meeting will partially relieve the pressure *on Lasmo's finances. Small disposals* such as last Friday's sale of half of Lasmo Canada will bring in much-needed cash. Arguably, it will take something rather more dramatic to reassure investors worried that the dividend is likely to be cut this year.

The obvious solution would be the quick sale of the US and Canadian downstream assets acquired with Ultramar. But a lack of trade buyers who can afford such properties has forced Lasmo to prepare the more expensive route of a flotation. The ability of that mechanism to deliver value for shareholders has been widely questioned. Perhaps Lasmo should consider a late change of tack.

The thrust of its attack on Ultramar was the *strategic* weakness of integrated downstream and upstream oil companies. Ironically, it is the Ultramar downstream assets which have recovered fastest. The issue of its credibility aside, Lasmo could reasonably argue that it makes commercial sense to sell the assets at a later point in the cycle. If it could retain existing management, so much the better. Shareholders might not like it. But they would scarcely object if the alternative is a further loss of value.

Split threatens EC energy tax

By David Gardner in Brussels

THE European Community's prospects of taking a robust programme on global warming to next week's Earth Summit in Rio de Janeiro dimmed yesterday because of delays in finalising details of the energy tax the European Commission approved two weeks ago.

EC environment ministers meeting in Brussels today had been expected to give provisional endorsement to the tax. But it became clear yesterday that the draft directive on combatting carbon dioxide emissions was not ready.

This largely technical hold-up puts Mr Carlo Ripa di Meana, EC environment commissioner, in a delicate position. The commissioner has repeatedly said he would go to Rio only if he had a firm EC position to defend.

Such a position, Mr Ripa di Meana has said, would have to include support from the 12 for the Commission's energy tax; EC commitment to a near doubling of development aid within the Climate Change convention due to be signed in Rio; and resolution of the EC's two-year wrangle on where to locate the European Environment Agency.

It is not clear whether ministers can resolve any of these issues today.

Member states such as the UK, while prepared to examine the case for a tax to reduce carbon emissions, are unwilling to make any commitment until they see the detailed implications. Spain, on the other hand, is concerned that an energy tax could slow down its industrial development.

But some northern states, led by Germany, strongly support the tax and are angry that the Commission has made its proposal dependent on US and Japanese willingness to adopt a similar anti-emissions strategy.

Whether ministers can produce any conclusions on the tax for the EC to impart in Rio will "depend on where the most pressure is coming from" at today's meeting, a senior Commission official said.

The proposed energy tax is a mixed levy, falling half on the energy value of fuel and half on its carbon content. It would start at $3 a barrel of oil equivalent in *1993, then rise $1 a year to reach* $10 by 2000, by when the EC has undertaken to stabilise CO_2 emissions at 1990 levels.

Mr Ripa di Meana had originally wanted a Commission proposal committing the EC to go ahead unilaterally with its tax. But he hoped the conditional plan the EC was willing to approve would bring pressure on the US at Rio, since it would be difficult for the 12 to oppose such an apparently hedged strategy.

Why Rio must deliver, Page 14

Thais move to cut powers of military

By Victor Mallet in Bangkok

THE THAI parliament moved hurriedly yesterday to amend the country's constitution, reducing the influence of the armed forces, after the weekend resignation of the prime minister, General Suchinda Kraprayoon. He was forced to quit over the killing of at least 46 pro-democracy demonstrators by troops last week.

The amendments meet the demands of the opposition by requiring the prime minister to be an elected member of parliament, reducing the powers of the military-appointed senate, making the speaker of the elected house of representatives the parliament's president, and providing for two full sessions of the parliament each year instead of one.

Gen Suchinda, the former supreme military commander, *overthrew the previous elected* government last year. He was not elected but was chosen by the five pro-military parties which formed a government after the elections in March. His whereabouts were unknown last night.

Parliament yesterday passed the first reading of the amendment bill by 533 votes to nil, with nine absentions, and the second reading by a show of hands. The third and final reading is due on June 10.

*Although the vote was a vic*tory for the pro-democracy movement in Thailand, several issues arising from last week's violence *have yet to be resolved.*

Opponents of the government are seeking to overturn an amnesty decreed by Gen Suchinda shortly before he resigned, because it covers not only the arrested demonstrators but also those responsible for the shooting of unarmed protesters.

Pro-democracy activists are *insisting that* Gen Suchinda and his colleagues and relatives in the armed forces be tried for the action they took to suppress the demonstrations. Hundreds of protesters gathered outside the parliament during yesterday's debate, chanting "Where are the killers?"

Air Chief Marshal Kaset Rojananil, the supreme military commander, and Gen Issarapong Noonpakdee, the army chief and Gen Suchinda's brother-in-law, were *among those who failed* to appear for the parliamentary session in their capacity as senators.

Another unresolved issue is the identity of the new prime minister. Pro-democracy demonstrators are angry not merely with the military establishment but also with the government politicians who allowed the generals to do as they pleased last week.

It is possible that the five-party governing coalition will collapse, paving the way for a prime min*isterial candidate from one of the* parties now in opposition.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	F	81	46	Frankfurt	R	44	39	Majorca	T	12	54	Oporto	S	13	55	Tenerife	C	18	64
				Brussels	F	65	43	Geneva	F	51	41	Malaga	F	15	59	Oslo	F	57	41	Tokyo	F	13	55
				Budapest	F	14	57	Gibraltar	S	15	59	Malta	S	19	66	Paris	C	78	45	Toronto †	C	0	32
Ajaccio	S	12	54	Buenos Aires	F	16	61	Glasgow	R	90	48	Manila	C	35	95	Prague	C	52	41	Tunis	F	16	61
Algiers	F	13	55	Cairo	F	26	73	Helsinki	C	20	36	Melbourne	S	31	88	Reykjavik	C	-1	30	Valencia	F	14	57
Amsterdam	C	77	45	Cape Town	S	22	72	Hong Kong	C	23	73	Mexico City	F	25	79	Rhodes	F	16	61	Venice	C	12	54
Athens	S	17	63	Caracas	C	30	86	Innsbruck	F	65	43	Miami †	F	22	72	Rio de Janeiro	C	27	81	Vienna	R	70	46
Bahrain	S	19	66	Casablanca †	F	21	70	Inverness	R	97	46	Milan	C	12	54	Rome	F	13	55	Warsaw	F	15	59
Bangkok	C	38	97	Chicago †	F	7	45	Islamabad	F	39	102	Montreal †	S	-8	18	Salzburg	F	73	45	Washington †	S	2	36
Barcelona	F	11	52	Cologne	C	38	37	Istanbul	S	16	61	Moscow	C	56	41	S'Francisco †	F	14	57	Zurich	F	42	39
Beijing	S	16	61	Copenhagen	C	39	37	Jakarta	R	32	90	Munich	F	63	43	Seoul	F	10	50				
Beirut	S	24	75	Corfu	F	15	59	Johannesburg	F	21	70	Nairobi	F	29	84	Singapore	F	32	90				
Belfast	R	89	46	Dallas †	S	77	45	Lisbon	S	13	55	Naples	F	16	61	Stockholm	S	30	37				
Belgrade	C	20	68	Dublin	F	10	50	London	F	94	48	Nassau	F	26	82	Strasbourg	R	61	41				
Berlin	R	32	37	Dubrovnik		–	–	Los Angeles †	S	13	55	New Delhi	R	22	72	Sydney	S	–	–				
Biarritz	C	95	48	Edinburgh	C	99	48	Luxembourg	C	59	41	New York †	S	1	34	Taipei	C	26	79				
Bombay	F	–	–	Faro	S	16	61	Madeira	F	17	63	Nice	S	14	57	Tangier	F	14	57				
Bordeaux	C	93	46	Florence	F	11	52	Madrid	C	93	46	Nicosia	F	17	63	Tel Aviv	C	19	66				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday May 26 1992

INSIDE

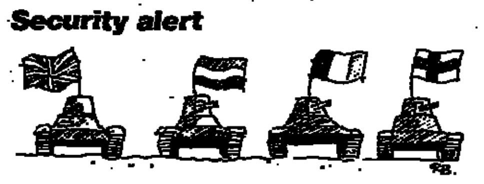
Morgan Grenfell served with writ

Morgan Grenfell has been served with a writ by one of its former fund management clients, GPG, charging that the securities firm placed its own interests above those of its client. GPG, a UK-based investment company, alleges that Morgan called in loans to Egerton, a house-building and construction company now in receivership, because of fears about Egerton's financial stability, but did not consider the interests of GPG, whose funds Morgan had invested in Egerton. Page 18

Fall for Japanese trust banks

Japan's seven trust banks suffered sharp falls in earnings for the year to March, because of thinner profit margins and falls in commission revenue following the plunge in the stock and property markets. Page 19

Security alert



While the Maastricht treaty set out a programme to ensure European countries march in step on most matters, there is still a question over whether Europe should have its own foreign and security policy. This can only be answered by the relative balance between those countries which want such a policy, and those which do not. Back Page

Germany leads bond markets

The German market led the way in European government bond markets last week. Bund prices rallied after IG Metall, the engineering union with more than 4m members, accepted a compromise settlement with employers over pay. Then on Friday, money supply statistics for April proving far less awful than feared. Page 20

Record for the Manila market

The Philippines has been struck by renewed economic optimism following the recent, largely peaceful, presidential election campaign and the stock market has recorded consecutive record levels over the past few days. Yesterday the composite index closed up 3.8 per cent at an all-time high of 1,432. Page 27

Market Statistics

Companies in this issue

Tapie statement casts doubt over empire

By Alice Rawsthorn in Paris

MR BERNARD Tapie, who on Saturday resigned from the French cabinet and tomorrow will appear in a Paris court to give evidence in a fraud case, is considering selling his controlling stake in Adidas, the German sportswear company which is one of the world's best known brand names.

Mr Tapie said he may cede control of Adidas, the lynchpin of his business. Coupled with his resignation on Saturday night as France's minister of urban affairs after only seven weeks in the post, the statement marks a watershed in the career of one of the most controversial figures in French industry and politics.

Mr Tapie, 49 has rarely been far from the headlines since shooting to prominence as one of France's most aggressive entrepreneurs in the mid-1980s. He had made his fortune by buying up bankrupt businesses.

By the late 1980s he had set his sights on politics. In 1989 he became a member of parliament for Marseilles and the following year he bought Adidas, reportedly for FFr2bn ($376.6m), announcing the deal – in true Tapie style – on the eve of the World Cup final.

However, the French business establishment doubted the feasibility of buying Adidas, which was worth much more than his existing interests. There was also controversy over his chairmanship of the Olympique Marseille football club and a French stock market investigation into his share dealings.

His political career was viewed with the same suspicion. President François Mitterrand and Mr Pierre Bérégovoy, prime minister, were criticised for championing his appointment as minister.

Last week's news that Mr Tapie was to appear in court after accusations from his former business partner that he embezzled FFr13m from the sale of a company in 1985 to Toshiba, the Japanese electronics group, was the final straw. His resignation has been interpreted by the French press as an embarrassing blow for Mr Bérégovoy.

Now, the future of Adidas, which made pre-tax profits of DM44m ($27.2m) on sales of DM3.53bn last year, is in the balance. If Mr Tapie does sell his 54 per cent holding, the likeliest buyer is Pentland, the cash-rich UK consumer products company which last year paid DM134.5m for 20 per cent of the company.

Vanessa Houlder on why the receivers have moved into Mountleigh

A prosaic end to property prodigy

Mountleigh, the property company which went into receivership yesterday, was perhaps the most audacious, unpredictable and controversial of all the property traders to emerge in the 1980s property boom.

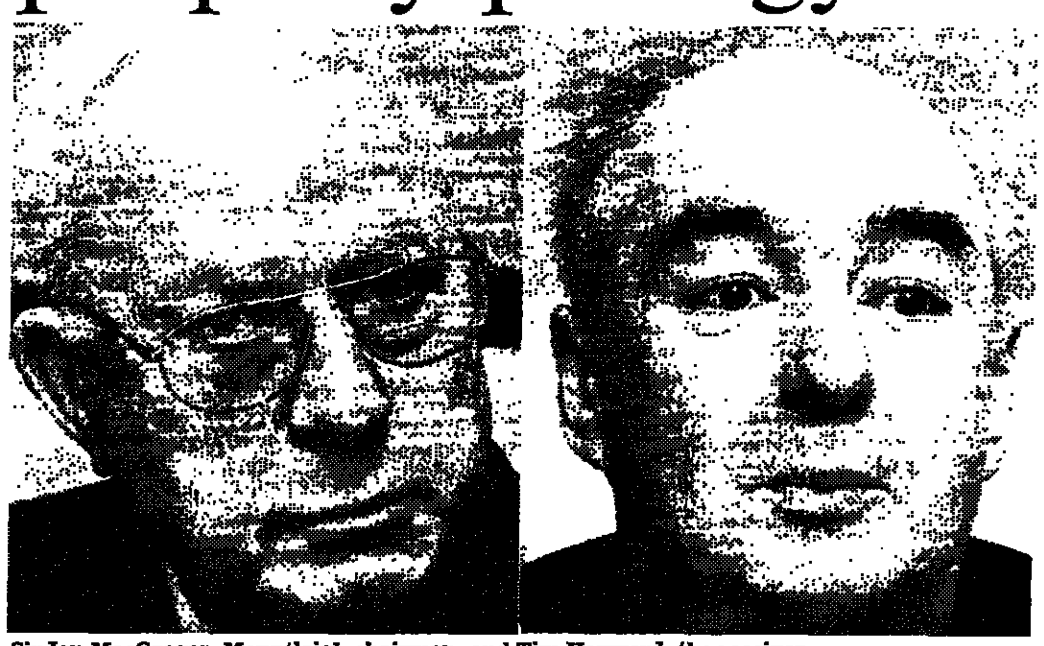
In just a few years, it was transformed from a small wool manufacturer into a go-go property company, so highly rated by the stock market that it felt able to make a £2bn ($3.63bn) bid for Storehouse, the retailing group, in 1987. It continued in the same vein under new management, with extravagant but unrealised promises of a £1bn acquisition. Its taste for controversy eventually won it a public reprimand from the stock exchange.

Its ambitions were reflected in the illustrious cast of businessmen and institutions that it attracted: Mr Tony Clegg, a blunt Lancastrian with a sharp eye for a deal, Mr Nelson Peltz and Mr Peter May, two US entrepreneurs who made a fortune from junk bonds and leveraged buy-outs, the Gordon Getty Trust, the Pritzker family and Sir Ian MacGregor, the trouble-shooter brought in by Mrs Thatcher to confront the mining industry.

But for all Mountleigh's aspirations, it was finally brought down by the most prosaic of problems: it was overgeared and could not find buyers for the property it needed to sell.

In particular, it can blame its demise on its inability to sell the Merry Hill shopping centre in the Black Country. Earlier this year, Mountleigh thought that it might be able to ride the storm. It agreed the sale of the Merry Hill Centre to Hammerson, the UK property company, and the O'Connor Group, a US pension fund adviser. The deal would have brought in £125m, which although less than the property's £160m book value, would have allowed the company meet its coming obligations.

But the deal fell through at the end of last month. In part it was because of the likelihood that the shopping centre was built on contaminated land, a risk that had



Sir Ian MacGregor, Mountleigh chairman, and Tim Hayward, the receiver

been heightened by the possibility that the government would bring in a register of contaminated land.

That left Mountleigh without the funds it needed to meet vital payments due in May and June. Last week, it failed to meet the interest payment due on £47m of Swiss franc bonds; tomorrow it was due to redeem £40m of Swiss bonds; and in June, it was required to redeem another £35m tranche.

Compared with its bank and bond debts of some £550m, the company had property assets of £775m at the time of its last balance sheet, in April 1991. Apart from £34m written off at its interim results, the receivers – Mr Tim Hayward and Mr Stephen James of accountants KPMG Peat Marwick – do not expect further sizeable write-downs. Much though depends on how long they have to make the disposals. If they are forced to make fire sales in a depressed market, they could have difficulty covering the company's debts.

Mountleigh's assets are a mixture of properties in the UK, including the Camberley shopping centre, and a 50 per cent share of the Criterion in London's Piccadilly as well as Galerias, the second largest retailer in Spain. Although the company has pumped money into Galerias, in the last interim results the store group made a £1.9m loss.

With hindsight, it is clear by the late 1980s that a company trying to manage a struggling business in Spain as well as an assortment of projects in the UK, was heading for trouble.

But the company set off in search of even greater ambitions, in the hands of some entrepreneurs who had little experience of the property market. In late 1989, Mr Nelson Peltz and Mr Peter May, two US investors, had alighted on Mountleigh as a suitable vehicle for a huge – but totally unspecified – acquisition in Europe.

Shareholders felt dismayed when Mr Clegg delivered control of the company to Mr Peltz and Mr May, without insisting that they mount a full-scale bid. Mr Clegg sold his 22.5 per cent stake in the company for £70m, at 200p per share, a 40 per cent premium to the market.

The institutions had a sense of déjà vu 18 months later when Mr Peltz and Mr May sold half their 22 per cent stake to the Gordon Getty Family Trust. At 100p per share, the price was half the original cost of the shares, but substantially more than the company's share price of 81p.

Shareholders' anger that only the directors had been able to sell above the market price heightened six weeks later when Mountleigh announced a £96m rights issue as a condition for refinancing the company.

The stock exchange was provoked into issuing a public censure saying the directors had breached its model code of conduct by dealing within the two-month closed period while in possession of price-sensitive information. The concerns of investors were also whipped up by the unusual rights issue underwriting structure.

The publication of Mountleigh's annual report shortly afterwards, which showed that the management had nearly doubled their salaries, did nothing to placate investors.

The institutions' faith in Mountleigh's ability to recover was dwindling by the month. When in October, the chairman and three joint managing directors of Mountleigh resigned, just before its annual meeting, its share price at around 15p barely stirred.

But even though the company was clearly down, it was not yet out. Sir Ian MacGregor moved from deputy chairman to chairman. In April this year, the company strengthened its management by bringing in Mr Steven Gerard, a senior executive of Citibank, as chief executive to thrash out a restructuring plan.

But the hope of keeping the company afloat died on Saturday when Mountleigh's banks turned down the company's proposals to ask its bondholders for a breathing space while it put together restructuring proposals.

They felt able to pull the rug because they did not believe that confidence in the property market would be severely damaged – in a market inured to appalling news, confidence could get no worse.

Lloyds Bank turns to US to stall rival bid for Midland

By Robert Peston in London

LLOYDS Bank is making a last ditch attempt to delay Hongkong and Shanghai Banking Corporation's bid for Midland Bank by lodging a formal objection with the Federal Reserve, the US central bank, to Hongkong Bank's proposal to have the Fed's review of the bid put on a "fast track".

Meanwhile, it also emerged yesterday that Midland's legal advisers will consider today whether Midland's board would fail in its duty to its shareholders if the board formally recommends the Hongkong bid. This follows Friday's decision by Mr Michael Heseltine, president of the board of trade, to refer Lloyds' proposed offer for Midland to the Monopolies and Mergers Commission.

Mr Brian Pearse, Midland chief executive, said the board would like to make such a recommendation. If it were to do so, Hongkong Bank could probably count on receiving acceptances to its bid from at least 25 per cent of Midland's shareholders which would improve its chances of winning the bid contest.

Although Lloyds is proposing to offer considerably more than Hongkong Bank to buy Midland, many Midland shareholders may accept Hongkong Bank's terms because of uncertainty over whether the MMC will permit a formal offer from Lloyds.

Lloyds is therefore keen to prevent Hongkong Bank buying Midland shares until the MMC makes a decision on Lloyds's bid proposal in three months. It believes the Federal Reserve may be able to delay the Hongkong takeover attempt for this period.

Fed approval is necessary for Hongkong Bank to acquire Midland's US assets. Hongkong Bank had hoped the Fed would give preliminary approval immediately, subject to the small risk that Hongkong Bank would later be forced to dispose of Midland's US assets after a detailed Fed review had been completed.

However, Lloyds, in a document lodged with the Fed last week, is asking the Fed not to give such "fast track" approval but to carry out a detailed investigation. If the Fed agrees, that could prevent Hongkong Bank buying Midland shares until the review is completed.

In the document, Lloyds is understood to question Hongkong Bank's record in managing its main US business, Marine Midland.

Not the time to gloat over Japan's shocks

Economics Notebook

By Peter Martin

ONE little-remarked casualty of Japan's stock market collapse has been the excuse many western firms offered for their inability to compete with Japanese rivals: that Japanese businesses faced an unfairly low cost of capital.

The slide in the stock market, and the rise in interest rates which helped cause it, have between them brought about a sharp rise in the cost of capital in Japan.

Throughout the 1980s, the low price that Japanese businesses paid to raise capital was cited as an important advantage that had helped them to become ever more fearsome international competitors.

Since complaints about Japan's cost of capital surfaced in the early 1980s, the issue has followed a switchback: at first, as the equity boom lowered Japan's cost of capital to absurdly low levels, the debate assumed ever-greater public prominence.

A survey article published by the Federal Reserve Bank of New York in 1991 lists 24 learned articles on the topic, which had by now moved out of the realm of academic debate and into the arena of public controversy.

Just as that article was published, the problem was solving itself: as the stock market plunged, Japan's cost of capital rose sharply.

It has taken economists a while to catch up with this development – a study just published by JP Morgan's Mr Richard Mattione* appears to be the first thorough analysis of the effect of the stock market slide on Japan's cost of capital – but Japanese companies have reacted much faster. A debate has erupted in Japan about exactly how best to respond in the medium term to the new era of costly capital; but in the short term investment plans have been sharply cut back and businesses in which companies had no major advantage apart from a low cost of capital are coming under scrutiny.

A company's cost of capital – how much it pays in interest to its banks and bond-holders, and by way of dividends to the holders of its equity – lies at the heart of its decision-making.

As the Federal Reserve points out, a company faced with a 4 per cent cost of capital might rationally be prepared to wait 46 years for a project to break even; one paying 12 per cent only six years. A higher cost of capital drastically shortens a company's (and a shareholder's) time horizon.

The traditional explanation of the cost of capital advantage for Japanese companies, as summed up by Morgan's Mr Mattione, had three parts: "Japanese firms have an advantage over their competitors because they use more debt [the lower-cost funding vehicle], because they pay less for debt, and because they also pay less for equity."

Though Japanese companies were undoubtedly much more highly indebted than their rivals for much of the post-war period, it is not clear whether they were paying less for this debt during the economy's high-growth period, the 1950s and 1960s.

Japanese economists say interest rates were consistently very high during this period: critics of Japan's trading practices argue that priority industries received preferential treatment, and that the whole savings market was distorted to provide cheap funds for industrial investment.

The issue only became a heated one in the 1980s, just as Japan's cost of debt was rising towards international levels: its cost of equity was about to plunge; and the capital structure of its corporations became much closer to that of competitors.

The remarkable rise of the Tokyo stock market offered a wide range of opportunities to raise cheap capital – and Japanese companies filled their boots. Of the 2,000 listed Japanese companies, more than 1,100 raised funds through share offerings or equity-linked bonds during the three years ending in 1989. In 1989 alone, Japanese companies raised Y27,000bn ($208.7bn) of equity-related finance, more than four times the amount issued in 1986, and more than all that issued in the years 1980-1986 added together.

This capital was raised very cheaply, as the price-earnings ratio of the 225 issues in the Nikkei index was consistently above 60 during the latter part of the 1980s. At the time, big US companies were trading at p/e ratios of under 20. Even if you adjust the Japanese p/e ratio to reflect the higher growth prospects of Japanese companies, the large number of cross-shareholdings in the Japanese market, and so on, Japanese p/e ratios were double those of the US.

Allowing for those factors, that gap "should have made Japanese firms willing to accept operating returns on capital as much as 8 percenage points below those acceptable to US firms", according to Mr Mattione. They grasped that opportunity with both hands, as the Japanese capital spending boom of the late 1980s reflects.

Now, with the Nikkei at half its end-1990 level, adjusted price/earnings ratios for Japanese companies are below those of their US rivals. US companies can now raise equity capital 1 percentage point more cheaply than their Japanese rivals, according to Mattione.

The issue will be brought all the more forcibly home to Japanese companies over the next few years because they must redeem many of the equity-linked bonds which once looked so cheap. Because the stock market has performed so poorly, these bonds will not now be converted into equity as their issuers once confidently expected, but must be paid back. To do that, many Japanese companies will have to raise capital at the new, higher rates.

It is not surprising that Japanese companies are placing a new emphasis on profitability. Western competitors should restrain themselves from rejoicing too loudly at their rivals' misfortune, however. Japanese companies have shown an extraordinary ability to cope with unexpected shocks in the past.

*A Capital Cost Disadvantage for Japan? By Richard Mattione, JP Morgan, Tokyo.

Wellcome announces share issue timetable

By Paul Abrahams in London

WELLCOME GROUP, the British pharmaceutical company, will publish on June 4 the prospectus for its planned share issue. The issue, expected to be the largest by any privately-owned British company, will be launched in mid-July.

The timetable was agreed late last week by the board of Wellcome Group. There had been suggestions the issue would be delayed until September, but managers are anxious that preparations for the launch should not distract them from running the business.

Wellcome Trust, the charitable body which owns 73.6 per cent of Wellcome Group, was given permission last month by the Charity Commission to sell up to 417m shares, reducing its holding in the company to as little as 25 per cent. The issue could raise more than £4bn ($7.26bn).

The prospectus is likely to highlight the strength of Wellcome's research and the encouraging prospects for its two top-selling anti-virus drugs, Zovirax, which is used to treat herpes, and Retrovir, the Aids treatment.

Wellcome executives are in the final stages of negotiation with two or possibly three groups to set up co-marketing agreements for over-the-counter (OTC) non-prescription products.

In particular, Wellcome is anxious to develop the OTC market for Zovirax when its patents begin to expire in the mid-1990s.

GPG issues writ against Morgan Grenfell

By Norma Cohen, Investments Correspondent

MORGAN GRENFELL has been served with a writ by one of its former fund management clients, GPG, charging that the securities firm placed its own interests above those of its client and failed to meet its fiduciary duties.

The writ was served late on Friday by GPG, a UK-based investment company. GPG alleges that Morgan called in loans to Egerton Trust, because of fears about Egerton's financial stability, but did not consider the interests of GPG, whose funds Morgan had invested in Egerton.

The writ says GPG lost £4m invested by Morgan in commercial paper or short term securities of Egerton Trust, a housebuilding and construction company now in receivership.

GPG notes in its writ that Morgan Grenfell, which was allowed to select investments for GPG without consulting the client, was at the same time a lender to Egerton and a dealer in the commercial paper which it purchased on GPG's behalf.

The writ says that just weeks after Morgan Grenfell's treasury management division increased GPG's investment in Egerton's commercial paper, Morgan Grenfell's corporate finance division declared the company in default of an earlier loan, demanding – and receiving – repayment in full.

Morgan did so despite a warning from Egerton that such a move would force it to default on commercial paper falling due shortly.

The case raises questions about whether the so-called Chinese Walls intended to insulate the corporate finance and fund management arms of securities houses from each other actually undermine the interests of investors. Morgan Grenfell did not return phone calls on Friday about the matter.

On December 15 1988, Morgan Grenfell agreed to be a lender to Egerton Trust. It was party to a multi-currency loan facility under which it would lend Egerton up to £4m.

Seven months later, in July 1989, Morgan Grenfell acted as arranger and joint dealer for a £50m commercial paper programme on behalf of Egerton.

The securities did not carry a credit rating – a characteristic of riskier debt – and the investing circular warned buyers that the dealers had not verified the accuracy of information. Each purchaser was warned that it would have to evaluate the credit of Egerton on its own.

In January 1990, Morgan Grenfell became the discretionary fund manager for GPG, a role which gave it full authority to invest funds on GPG's behalf without prior approval. The funds under management ranged from £18m to £32m over time, and among the initial investments chosen by Morgan Grenfell for GPG was £3m in Egerton's commercial paper.

When that paper matured on June 1, Morgan Grenfell rolled it over on GPG's behalf and purchased an additional £1m worth. But just three weeks later, Morgan Grenfell told Egerton's management that it was in default on its loan agreement, that it wanted immediate full repayment of £4m and that no more funds would be extended.

On July 6, Egerton told Morgan Grenfell that if no further funds were extended, it would be unable to repay commercial paper maturing shortly.

In its writ, GPG charged that Morgan Grenfell, by insisting on repayment of its own loan, allowed its interests to conflict with those of GPG. GPG said it knew nothing of Egerton's financial difficulties until August 1, when it was told that the company was unable to repay commercial paper maturing that day.

Mr Blake Nixon, managing director of GPG, said on Friday that because of the "health warning" in the circular, even if Chinese walls were in place, Morgan Grenfell's investment arm had a duty to investigate the creditworthiness of Egerton. This duty should have involved more than usual scrutiny because of Morgan Grenfell's own involvement with the company.

GPG was only one of several investors who recorded losses on Egerton's commercial paper. Mr Russell Wells, finance director at Coats Viyella, said that £10m of the company's treasury funds had been invested in the securities.

While Morgan Grenfell did not advise the company to make the purchase, Mr Wells said it was "a disappointment" that his company had not been advised of Egerton's deteriorating financial position. He also said that he did not realise that Morgan Grenfell had been a lender to Egerton at the same time as it had been arranger and joint dealer on its commercial paper programme.

On June 8 1991 receivers were called in at Egerton.

Singer & Friedlander interested in Ansbacher

By Angus Foster

SINGER & Friedlander, the merchant banking and property group, is in talks which could lead to a takeover of Henry Ansbacher, the small City merchant bank.

Singer has been in discussions with Ansbacher and its majority shareholder, Pargesa, which is controlled by Mr Paul Desmarais, the Montreal financier, and the Frere Group of Belgium.

Mr Anthony Solomons, chairman of Singer, confirmed there had been "very preliminary conversations about a potential merger."

Ansbacher is likely to make a statement this morning confirming the discussions, although few other details are expected. It is understood the Bank of England has been informed about the talks.

Pargesa first tried to sell its 61.6 per cent stake in Ansbacher in 1990, but failed to find a buyer at an acceptable price. It bought a 30 per cent interest in Ansbacher in 1984 and was later forced to inject a further £100m when the London bank ran into trouble.

Since then it has seen the value of its investment fall considerably. Ansbacher's share price was 78p in 1990, valuing the stake at close to £90m. But the shares have since fallen, following losses last year of £8.23m, and closed last week at 29p, suggesting Pargesa's stake is now worth only £33m.

If Singer bought Pargesa's stake, it would be forced under the takeover code to make a full offer to other Ansbacher holders. These include administrators of the late Mr Robert Maxwell with 10 per cent, the Kuwait Investment Office (10 per cent) and ADT, the security systems company (3.5 per cent).

Ascom loses Swiss status under foreign ownership rules

By Ian Rodger in Zurich

ASCOM, the Swiss telecommunications equipment group, has become one of the first leading Swiss companies to lose its Swiss status under the country's law limiting property purchases by foreigners.

The problem is likely to become more widespread because many Swiss companies are actively courting foreign investors and removing restrictions on share ownership.

The so-called Lex Friedrich requires that companies be able to prove that more than half of their capital is held by Swiss nationals. Otherwise, they must submit each attempted property purchase to review.

Ascom confronted this challenge several months ago when it tried to buy a few square metres of land for a telecoms installation.

The government demanded proof that more than half of Ascom's capital was in Swiss ownership, but the company was unable to provide it. In fact, the directors suspect that a majority is held by foreigners.

"We have evidence of considerable foreign investment in our company," Mr Heinz Frey, chairman, said yesterday.

About 80 per cent of Ascom's issued capital is in bearer form, so it is impossible to know where it is owned. However, even if a majority of the capital is held abroad, the voting control is clearly in the hands of Swiss nationals.

● Ascom reported a 12 per cent gain in sales in the first four months of 1992 to SFr1.01bn.

● Oerlikon-Bührle, the long troubled Swiss armaments and engineering group, made a small net profit in the first quarter, its first in more than six years.

Sales were up 8.7 per cent to SFr788m ($518.4m) and the operating profit was SFr100m better than in the comparative period.

Central Capital's deficit deepens after write-offs

By Robert Gibbens in Montreal

CENTRAL CAPITAL, once one of Canada's fastest growing financial services groups, suffered a final loss of C$1.5bn (US$1.25bn) for 1991 after writing off $760m covering its investment in 80 per cent-owned Central Guaranty Trustco. In 1990, Central Capital reported a loss of C$44m.

Central Capital, controlled by financier Mr Leonard Ellen, quadrupled its assets to C$17bn in a buying spree in the last half of the 1980s.

Guaranty Trustco operates the country's fourth largest trust company, which has been hit by the long recession and drastic decline in property values in eastern Canada.

Central Capital's total loss also included write-downs of investments in subsidiaries and a C$200m write-off of goodwill. It is negotiating with its vendors to restructure its debt.

About 63 per cent of the trust company's business, including assets of C$7bn, is being sold to Canada Trustco and National Bank of Canada, and the rest will be consolidated mainly in southern Ontario, if regulators approve.

WPP warns shareholders not to reject refinancing

By Gary Mead

WPP, The troubled international marketing services group which is seeking a second refinancing from its 28-bank syndicate for its $1bn (£551.3m) debt, has prepared moves to bypass shareholder resistance to a recapitalisation proposal announced on May 13 and approved by the four lead banks.

According to an internal WPP document, if shareholders refuse to accept an equity-debt exchange whereby the banks subscribe a rights issue worth some £150m in exchange for reducing WPP's debt by about 25 per cent, then there are three alternatives:

● continuing with the "status quo", which it warns will mean the "group's operational difficulties from perceived debt problems would continue; no prospect of dividends on ordinary or preference shares in foreseeable future" and, in the event of a group collapse, "no value for shareholders".

● the issue of "high yielding subordinated loan stock" with the "possibility" of a clawback offer for existing shareholders to subscribe. However, WPP warns this would mean "high interest payment" preventing "prospects of any eventual recovery in present shareholder value".

● or a new subsidiary would be established and listed on the stock exchange. This would issue £150m of preferred ordinary shares to banks and the issue would rapidly swamp any interest in the shares of the current WPP group.

Southern Electric in £11.8m deal

Southern Electric has paid £11.8m in cash for 70 per cent of Rightmain, the parent company of MP Burke, a utility contractor for the major English and Scottish gas and water utility companies. Southern has put call options for the remaining 30 per cent.

Consolidated net assets of Rightmain and Burke at March 31 1991 were £2.36m.

NEWS DIGEST

Blystad may recover $3.6m loan

BLYSTAD, the UK oil services and drilling group, is considering steps to recover $3.6m lent to a company owned by trusts in which three of its directors, including the chairman, are beneficially interested.

The announcement was made as the group revealed sharply higher pre-tax losses for 1991 of £4.1m (£290,000).

Mr Wilhelm Blystad, chairman, said the loan – which related to the option held by Sokana Industries on a Mexican shipyard – had been reduced by $1m, but still not repaid by the due date of March 31. Blystad's independent directors were "considering what action is appropriate to recover the loan and are currently discussing the position with Sokana," he said.

During the year Blystad increased turnover by 10 per cent to £25.5m. Exceptional charges, including write-downs on the development of its floating oil production project and the value of the semi-submersible drilling rig, came to £3.9m.

Losses per share deepened from 0.55p to 3.06p. There was no dividend.

Millwall halftime loss cut to £1.1m

In the six months ended November 30 1991, Millwall Holdings turned in a loss of £1.1m, against £1.53m previously.

The period included the three months close football season, when the football club received no income.

Continuing activities accounted for £898,000 of the loss, from turnover of £872,000. In September the company disposed of Tavern Leisure for £2.4m cash.

The sale gave rise to a profit of £877,000 in the holding company's accounts and to £441,000 in the group accounts. However, the group needs to reflect goodwill previously written off in the loss of disposal; therefore, an extraordinary loss of £1.98m will arise in the group accounts for the year.

Losses per share for the half year were 0.98p (1.35p).

Willaire shares suspended at 1¼p

Shares in Willaire Group, which last October put its electronics arm into liquidation, were suspended at 1¼p on Friday pending clarification of the group's financial state.

In December it announced a £2.04m loss for the year to April 30 and said it was unable to pay a dividend on either the ordinary or the preference shares because of a lack of distributable reserves.

The company had launched a £4.5m rights issue in May with the aim of using part of the funds for the electronics business. In September, however, it put that division into liquidation just a few days after changing the divisional name from Willaire Electronics to Airmead.

Before the rights issue, the group's debts amounted to about £12m.

Potential bid for Mosaic

Mosaic Investments, which licenses cartoon characters such as Tom & Jerry and the Teenage Mutant Ninja Turtles, said it was in talks which could lead to a bid for the company.

The announcement was prompted by the rise in the share price from a low of 92p last Tuesday to 122p on Friday. The shares were 206p in March until a profits warning wiped 40 per cent off in a single day.

Mr Leon Angrave, managing director, said the discussions with the other party were "amicable" for the moment. If there was to be an offer, he said, it was likely to be at a small premium to the 110p price at which the announcement had been triggered.

The potential bidder is believed to be in a similar business to Mosaic.

Fitzwilton just in the black as profits collapse

By Tim Coone in Dublin

Profits of Fitzwilton, the Dublin-based holding company, dived from I£10.4m to I£200,000 (£182,000) pre-tax for 1991. Turnover improved by 13 per cent to I£453m.

Main interests are in cash and carry and car distribution in the UK. It also has a 9 per cent holding in the troubled Waterford Wedgewood crystal and ceramics group.

Mr Ken McGoran, chief executive, said: "It has been a very tough year, both because of the recession and the reorganisation of the cash and carry business, but we are positioned to come back strongly once the economy picks up."

Market analysts described the results as "extremely disappointing," and expressed surprise at the extent of the collapse in profits.

Mr McGoran said the company had no immediate plans for geographic diversification to reduce its heavy dependence on the UK market. The immediate target was to get back to a strong level of profitability.

New car sales in the UK fell by 15 per cent although turnover was only marginally down at £187m (£189m).

Cash and carry turnover rose to £201m (£154m), but the recession affected sales of non-food discretionary items, a feature of that business.

There was an exceptional charge of I£1.5m for integrating four cash-and-carry operations into one, and an extraordinary I£2.7m for writing down the holding in Atlantic Resources.

Losses per share emerged at 0.63p (earnings 7.11p). A final dividend of 2p makes a same-again 3.5p total.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Sensormatic Electronics (US)	Unit of Automated Security (UK)	Security	£150m	Agreed in principle
Vitro Group (Mexico)	ACI America (US)	Glass	£49m	BTR non-core disposal
Tosoh (Japan)	General Chemical Soda Ash (US)	Soda Ash	£46m	BTR non-core part disposal
PTT Telecom (Holland)/ AMR (US)/CSX (US)	Encompass Europe (JV)	Electronic data	£44m	Network development venture
Ciments Francais (France)	Cementos Rezola (Spain)	Cement	£24m	Offer for outstanding stake
Cofinec (Italy)	Kner (Hungary)	Printing	£11m	De Benedetti targets Hungary
NKK (Japan)/Bethlehem Steel (US)	JV	Steel	£9m	50-50 venture
Bic (France)	Wite-Out (US)	Corrective fluids	n/a	Portfolio extension
Applied Microbiology (US)	Alpin & Barrett (UK)	Biopharmaceutical supplies	n/a	Australia's Burns Philp selling
BP (UK)/Statoil (Norway)/Norsk Hydro (Norway)	Alliance Gas (JV)	Gas	n/a	British gas challengers multiplying

Source: FT Mergers + Acquisitions International

COMPANIES AND FINANCE

Japanese camera makers turn in gloomy results

By Robert Thomson in Tokyo

JAPAN's camera makers have been forced to readjust their focus amid a gloomy earnings season in which Minolta, once the industry leader, reported *an after-tax loss of Y25.8bn* ($199m) and most other producers predicted a bleak year ahead.

Restructuring programmes in the industry, begun when the domestic economy was expanding rapidly, have run into the troubles of recession, complicating the companies' entry into new markets.

Earnings at Minolta were *also dragged down* by the settlement of a US patent dispute in March, forcing the company to write-off Y16.9bn. This came on top of a pre-tax loss of Y8.5bn, a turnround from a profit of Y4.9bn the previous year and the company's first loss for 26 years.

Minolta was also weakened by stock market turmoil, as its unrealised gains on long-term holdings of shares fell from Y57bn to Y27.7bn, and cash deposits, seen as a mark of strength in Japan, were halved to Y14.5bn.

Traditionally strong in foreign markets, Minolta's long-term strategy included the aims of increasing the share of domestic camera sales and expanding the office equipment business.

But the company has had difficulty penetrating the crowded domestic office equipment market, where its sales last year fell 5.6 per cent, while exports of office machinery rose 7.3 per cent – camera exports fell 12.8 per cent and domestic camera sales were down 7.9 per cent.

Minolta's total sales for the *year were 2.9 per cent lower at* Y215.6bn, and while the company confidently predicted sales would rise to Y228bn in the current period, it forecast another pre-tax loss of Y4bn.

Nikon, the camera and semiconductor equipment maker, reported a 62.4 per cent plunge to Y7.2bn in its pre-tax profit, following weak demand from Japanese semiconductor producers, which are facing large losses on their investments in the present generation of memory chips.

Sales for the year fell 9.4 per cent to Y230.6bn, and Nikon forecast a difficult year ahead, with sales expected at Y228bn and pre-tax profits declining to Y4bn. By product line, camera sales fell 6 per cent and semiconductor equipment by 21.2 per cent.

Ricoh, now reliant on copiers and information equipment for most of its sales, reported a 70.7 per cent fall in pre-tax profit to Y7.4bn, and a 0.7 per cent sales decline at Y672.7bn. The company said the weakness of the US market hurt original equipment manufacturer orders for its copiers and fax machines.

It also blamed "currency fluctuations" for the downturn, that is, the appreciation of the yen.

Profits at trust banks fall sharply

By Emiko Terazono in Tokyo

JAPAN'S seven trust banks suffered sharp falls in earnings for the year to March, due to thinner profit margins and falls in commission revenue after the plunge in the stock and real estate markets.

Combined non-consolidated pre-tax profits fell 33.8 per cent to Y248.1bn ($1.9bn), while combined net business profits, or profits from core banking business declined 12.6 per cent *to Y217.5bn. Sumitomo and* Mitsubishi saw double digit increases in net business profits thanks to firm earnings at their international divisions.

Profit margins fell sharply due to the time-lag between the fall in money market rates and *the review of dividends on* their loan trusts, which account for half the trust banks' business. Trust fees shrank 12.8 per cent to a combined Y510.7bn.

Service income fell 38.2 per cent to Y155bn, due to the sluggish real estate market. Profits on securities transactions, including appraisal losses, fell 5.6 per cent to Y24bn.

Fund transactions improved 20 times to Y85.8bn, thanks to widening market interest rate spreads. Profits from interna*tional business increased by* 37.7 per cent to Y326.6bn, buoyed by lower interest rates overseas.

The trust banks also saw sharp declines in commission revenue from investment trust management. The sharp falls in share prices and last year's stock scandals prompted an increasing number of compa*nies to cancel their stock fund* trusts.

Mitsubishi had Y2,000bn in outstanding fund trusts, down from Y2,400bn, while the balance fell from Y1,900bn to Y1,400bn at Sumitomo. Mitsui reported a sharp drop in its fund trust balance at Y670bn from Y1,470bn.

The poor results have forced *Yasuda and Toyo to cut divi*dends for fiscal 1991 by Y0.75 per share.

For the current year to March 1993, the trust banks expect profits growth to remain flat due to continued sluggishness in the stock and real estate markets.

JAPANESE TRUST BANK PROFITS

	Core bank		Pre-tax		After-tax	
Sumitomo	72.7	+21.1	53.4	−37.1	30.4	−41.4
Mitsubishi	62.3	+11.8	56.5	−29.5	29.0	−39.2
Mitsui	32.9	−31.1	45.9	−36.1	25.6	−30.4
Yasuda	20.3	−50.8	42.4	−25.2	21.5	−37.1
Toyo	19.8	−41.4	31.6	−33.0	15.5	−32.0
Chuo	6.9	−51.5	13.4	−43.1	7.4	−32.4
Nippon	2.4	-	4.6	−54.0	2.3	−49.1
Total	**217.5**	**−12.6**	**248.1**	**−33.8**	**132.0**	**−36.9**

NTT slips 14.8% as competition intensifies

By John Burton in Tokyo

NTT, the Japanese telecommunications group, yesterday reported a 14.8 per cent drop in unconsolidated pre-tax earnings to Y352.8bn ($2.7bn) for fiscal 1991.

It predicted that profits will decline by 24.3 per cent to Y267bn in fiscal 1992 on unchanged sales as competition increases in the deregulated Japanese market. Net profit will drop by 28.5 per cent to Y134bn.

The profits slide in fiscal 1991 was due to a 8.8 per cent fall in operating profit to Y526.7bn and a growing financial income deficit, which increased by 6.5 per cent to Y175.3bn. Net income fell by 16.5 per cent to Y187.3bn.

Sales increased by a modest 1.6 per cent to Y6bn, reflecting telephone rate cuts and sluggish growth in new subscribers. NTT has been losing market share, particularly in the areas of long-distance calls and mobile telephone services, to specialised carriers.

It was forced to cut long-distance rates in March 1991 to match lower rates offered by competitors. This contributed to a 3.7 per cent decline in call rate revenues, which account for about half of total sales.

The growth in operating costs outpaced income with a 2.8 per cent rise because of expanded digitisation and efforts to improve customer services.

NTT's growing net financial deficit reflected a 6 per cent fall in financial income to Y71.4bn, while financial expenses grew by 2.6 per cent to Y246.8bn due to a devaluation of NTT's securities portfolio.

It will retain its dividend at Y5,000 per share. NTT is being opened to foreign investment, which will be limited to holding 20 per cent.

COMPANY NEWS IN BRIEF

Bombardier advances 28% at C$32.7m

BOMBARDIER, the Canadian aerospace and transit equipment group, posted a 28 per cent gain in net profit in the first quarter ended April 13 on a 43 per cent jump in sales, writes Robert Gibbons in Montreal.

Earnings were C$32.7m, or 21 *cents a share, against C$25.6m,* or 18 cents, a year earlier on sales of $938m against $658m.

The big sales gain stemmed from higher sales of business jets and inclusion for most of the latest period of the De Havilland Canada and UTDC, an equipment maker.

● *ASKO* **Deutsche Kaufhaus**, the German retailer which expanded dramatically in the 1980s, said it would concentrate on key business areas and cut debts following the departure of Mr Helmut Wagner, supervisory board chief, Reuters reports.

Mr Klaus Wiegandt, management board chairman, confirmed that Mr Wagner had left Asko last Friday after more than 30 years with the company. A former chief executive, Mr Wagner had been instrumental in building up Asko from a regional stores group.

Mr Wiegandt made clear differences of opinion had emerged between Mr Wagner and the management board.

● **Trelleborg**, the Swedish mining and industrial group, yesterday announced a fall in first quarter profits (after financial items) to SKr201m ($34m) from SKr323m last time, writes Robert Thomson in Stockholm. Revenue rose to SKr7.953bn from SKr7.781bn.

● **Mr Bernard Arnault**, chairman of LVMH, told shareholders *yesterday a rise* in net profit in 1992 "should be possible". He said the French luxury goods group was facing challenging economic conditions in key markets, notably the US, the UK and Japan.

● **Mannesmann**, the German engineering group, said group net profit dropped in the first four months of this year from the same period in 1991, Reuters reports from Dusseldorf. Mr Werner Dieter, management board chairman, said orders in the period rose 34 per cent to DM10.9bn ($6.6bn).

● **Klökner-Werke**, the German machinery group, recorded a pre-tax operating profit of DM50m ($31m) in the first half of the fiscal year ending September 30, AP-DJ reports from Frankfurt. It said worldwide group consolidated sales rose 4.8 per cent in the first half to DM3.56bn.

Earnings at shipbuilders squeezed as sales improve

By Emiko Terazono

MITSUBISHI Heavy Industries and Ishikawajima-Harima Heavy Industries, Japan's leading shipbuilders, posted firm sales due to brisk demand in their *shipping divisions. However* profits were squeezed by a slump in industrial machinery demand due to the economic slowdown, and an increase in non-operating costs.

MHI posted a 1.8 per cent rise in non-consolidated pre-tax profits to a record Y155.5bn ($1.2bn) on a 6.8 per cent increase in sales to a record Y2,484.2bn. Operating profits grew 12.1 per cent to Y176.6bn, and after-tax profits rose 9.1 per cent to Y105.7bn.

Its financial balance fell from a profit of Y14.3bn to Y4bn due to lower interest received on deposits, and an increase of *interest payments.*

For the current year to March 1993, MHI forecasts a decline in demand, and sees a 3.7 per cent fall in non-consolidated pre-tax profits to Y150bn *on a 0.6 per cent rise in sales to* Y2,500bn.

Sales at IHI rose 11 per cent, thanks to strong sales in its shipbuilding sector. However, pre-tax profits plunged 21 per cent to Y21.4bn due to losses from an affiliate's deposits at BCCI.

After-tax profits increased 26.5 per cent to Y19.2bn as a result of extraordinary profits from the sale of a stake in a Singapore shipping company.

IHI posted Y5.8bn in loan-loss reserves to cover half of the Y12.7bn deposits of its affiliate at BCCI.

INTERNATIONAL CAPITAL MARKETS

EUROPEAN BONDS

German bunds rally as return of positive sentiment continues

THE RETURN of positive sentiment to European government bond markets continued last week, but this time the German market led the way.

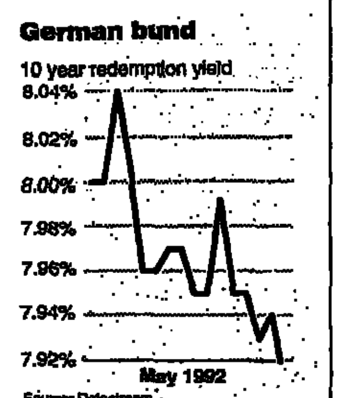
The first reason for the rally in bund prices was the decision of IG Metall, the engineering union, to accept a compromise settlement with employers over pay.

The second spur to a rally came on Friday, with money supply statistics for April proving far less awful than feared. M3 grew by 8.8 per cent during the month, down from 9.4 per cent in March.

This is outside the central bank's 3.5 to 5.5 per cent target range, but well below the 11 per cent growth forecast by some analysts early in the week.

Any further rise in interest rates is now seen as unlikely and by Friday attention was again turning to when the Bundesbank will ease monetary conditions. Opinion is split on the timing of the next cut, but there is widespread agreement bund yields are heading lower. UBS Phillips & Drew is forecasting 10-year bund yields at around 7.30 per cent by the year end, from 7.92 per cent on Friday.

Lower bund yields should pass through into other European markets, since investors judge the relative value of markets on the basis of the yield spread to the bund market.



For example, by the end of last week French government 10-year bonds were yielding 8.5 per cent, or 58 basis points more than their German counterparts. If this is maintained, French bonds should yield 7.88 per cent by December.

However, there are additional gains to be made where the yield spread over German bonds narrows. French bonds are so popular with international investors at present that a narrowing of yield spread is quite possible. The French government auctioned FFr12.8bn two-year and five-year paper last week – but received bids for FFr53bn stock.

Simon London

UK GILTS

Investors view PSBR projections with composure

WHEN forecasts of a 1992-1993 public sector borrowing requirement of about £30bn began circulating shortly before the general election, investors in gilt-edged stock reacted with alarm.

Their fears were hardly surprising. Faced with slow growth, how would a new – possibly Labour – government cope with such a big public sector deficit? Fears of rising long-term interest rates were compounded by forecasts of sharply growing borrowing requirements in future years.

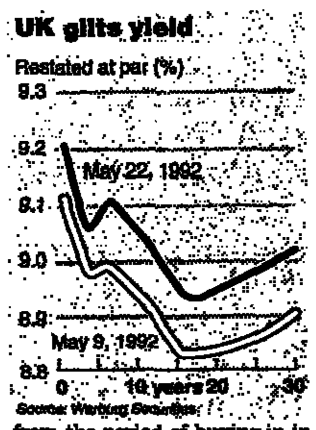
Worries over the size of the deficit appear, however, to have been allayed, or at least postponed. The election result, the ease with which the Bank of England is meeting its funding requirements and recent anti-inflationary policy statements from Mr Norman Lamont, the chancellor, and the Bank suggest that gilt-edged investors can look upon current public sector borrowing requirement projections with equanimity.

The Treasury is sticking – so far – to its Budget forecast of a PSBR of £28bn in 1992-1993. This is slightly less than many City forecasts which predict a figure of about £30bn. Last week's figure of £3.6bn in April was the biggest for that month since 1987, suggesting the deficit is on course to fulfil the gloomier prophecies.

But it now appears that the Bank has met more than a third of its funding requirements for the entire 1992-1993 fiscal year since the election.

The City has gained a better insight into the matter since publication of the latest Bank of England quarterly bulletin last week.

Two tranches of stock were issued in the early hours of April 10 as the country awoke to the Conservative election victory. These amounted to £1.6bn. But the bulletin says that "including sales made on April 10, gross official sales of some £4bn were made in the first 10 days of April". This suggests the Bank sold a further £2.4bn of "unofficial" stock that was on its books from the period of buying-in in the late 1980s, by April 10.



Since then, a further £5.7bn of issues and a call of about £600m took the total of known funding to £10.25bn, says Mr Nigel Richardson, an economist at S. G. Warburg. He estimates a further £1bn of unofficial sales, taking gross sales since the start of the financial year to about £11.25bn, or over a third of the Bank's funding requirements.

Recent policy statements have also helped foster a more relaxed view of a PSBR which, if forecasts prove correct, will amount to 4.5 per cent of gross domestic product in 1992-1993.

Neither the chancellor nor the Bank are satisfied that the battle against inflation is over. A new anti-inflation drive appears to be in the offing. Last week Mr Lamont said Britain should aim to match the inflation performance of the Japanese, which is around 2 per cent, if it wants to be a "first rank commercial power".

Even so, there are precious few signs that the recovery has begun; and the combination of high real interest rates and high levels of consumer and commercial debt suggest it may be sluggish. The longer it takes to arrive and the slower it is when it does, the bigger the future fiscal headache.

● The Bank of England issued £800m of partly-paid 9 per cent conversion stock due 2000 at a price of 100.75 per cent on Friday.

Emma Tucker

US MONEY AND CREDIT

Economy-watchers turn their attention to a week of data

AFTER last week, when hopes for an interest rate cut were apparently dashed on the rocks of the Federal Reserve's Open Market Committee, trading in the US Treasury markets should settle down to a less stressful pattern over the next four days.

Nevertheless, the economic calendar this week provides plenty for investors and economy-watchers to chew on.

On Tuesday, April existing home sales data are released. Salomon Brothers in New York is forecasting a modest decline because of the cold weather during the month and the effect of the back-up in mortgage rates since mid-January.

On the same day, the Conference Board publishes its closely followed Consumer Confidence Index for May, and the consensus on Wall Street is that the index will rise to its highest level since late last year.

Wednesday kicks off with durable goods orders for April, and a fourth consecutive monthly increase in orders is expected. While Thursday is full of secondary data, the most important news of the week arrives on Friday in the shape of the revised (real) first quarter Gross Domestic Product (GDP) figures. Economists now expect first quarter GDP to show an increase of 3 per cent.

The solid output growth in the first quarter which should be confirmed by Friday's data probably played an important part in persuading the Fed last week not to cut interest rates.

At the FOMC meeting on Tuesday and Wednesday, the Fed's policy-makers were reported by inside sources to have voted to keep monetary policy unchanged and to drop their bias toward easing until the next scheduled meeting in late June.

The immediate reaction of the markets to the news was to sell Treasuries, which had been bid up over a period of several days in anticipation of an interest rate cut by a Fed supposedly worried about the sluggishness of the economic recovery, and by weakness in money supply and labour market conditions in particular.

The market, however, may have overdone its reaction to the FOMC's reported move from a bias toward easing to what is known as a "symmetric" policy guideline (neither biased toward easing or tightening).

As Mr Richard Trainer, chief economist at the Bank of Tokyo in New York points out in his most recent circular on Fedspeak, the Fed has a reputation for often doing exactly what it says it is not likely to do. He backs up this view with an examination of Fed actions between the end of March 1991 and the following August.

During that time, policy was also symmetric. Yet over the five-month period the Fed reacted to evidence of economic weakness by cutting the discount rate by 50 basis points to 5.5 per cent and the Fed funds rate target by 50 basis points to 5.5 per cent. Mr Trainer's conclusion is simple: "policy symmetry does not preclude the Fed from easing policy". In other words, do not rule out the possibility of another interest rate cut just yet. The market may have to wait for an easing until June 5, when the Employment Report for May is published.

Patrick Harverson

National Bank of New Zealand advances 22%

NATIONAL Bank of New Zealand, the fourth largest bank in New Zealand, unveiled a 22 per cent increase in net profit from NZ$67m to NZ$82m (US$44m) for 1991, writes Terry Hall in Wellington.

The bank said it expected to see its strong presence in the corporate and retail markets continue in the coming year.

Total assets rose 3.7 per cent to NZ$7.56bn. Restructuring in the business sector was reflected in a NZ$11m increase to NZ$38m in provisions for bad and doubtful debts.

Hafnia turns in DKr1.65bn loss

By Hilary Barnes in Copenhagen

HAFNIA HOLDING, the Danish insurance-based financial services group, suffered a first quarter loss of about DKr1.65bn ($264m) and its equity capital was cut from DKr3.12bn at the end of 1991 to DKr1.45bn, the company said yesterday.

The main reason for the deficit were adjustments for the value of its shareholdings in domestic rival Baltica and Sweden's Skandia.

Before the adjustments, the loss came out at about DKr70m compared with a profit of DKr30m in the corresponding period last year.

Following a board decision at the end of April to reject a takeover offer by Skandia, Hafnia shareholders will be asked at the annual meeting on June 2 to approve a new share issue raising about DKr1.5bn.

The issue will be made in the second half of June with preferential rights for existing shareholders, who will be asked to subscribe to three new shares for every two held at a price of DKr105 per share with a par value of DKr100.

The statement from the embattled group said the final results for 1992 will be crucially dependent on the price at which its Baltica and Skandia shareholdings can be sold.

Hafnia has a 13.5 per cent stake in Skandia, 33.5 per cent in Baltica Holding and about 11 per cent in Baltica Insurance.

These holdings could, in a favourable market, be sold at a price exceeding the quoted price, said the statement.

It also said that in addition to the book value of its equity capital, there is additional goodwill value in the Danish and UK life assurance businesses and in the Danish and Swedish general insurance businesses of DKr2bn-DKr3bn.

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	106⅜	-⅛	5.80
ABN 9 1/8 94	200	105⅛	-⅛	6.40
AETNA LIFE & CAS 7 3/4 16	200	102⅝	-⅛	7.53
ALBERTA PROVINCE 8 5/8 96	750	105⅛	-⅛	7.07
ALBERTA PROVINCE 9 3/8 95	600	108⅛	-⅛	6.58
AMERICAN EXPRESS ZERO 00	450	49⅜	+⅛	8.53
AMERICAN GENERAL 9 3/4 95	100	105⅞	-⅛	7.55
AMERICAN INTL 0 04	750	36⅜	+⅛	8.56
ASIAN DEV BANK 0 04	1000	37⅜	+⅛	8.29
ASIAN DEV BANK 8 96	100	102⅞	-⅛	7.22
AUSTRALIA 11 95	200	111½		6.66
AUSTRIA 7 3/4 97	200	102½	-⅛	7.10
[illegible]				
SAS 10 99	200	106¼		8.72
SAS 10 1/8 95	150	107⅛	-⅛	7.58
SBAB 9 1/2 95	500	108⅛	-⅛	6.45
SBC FINANCE 7 3/4 96	300	103⅛	-⅛	6.80
SEAGRAM CO 8 1/2 96	100	102⅝	+⅛	7.40
SEARS EURO TRUST 8 3/4 96	750	104⅛	-⅛	7.48
SEARS O/S FIN 0 98	500	61½	-⅛	8.24
SEARS ROEBUCK EURO 9 3/4 95	500	105⅜	-⅛	7.46
SNCF 7 1/4 94	175	102⅞	-⅛	5.39
SNCF 9 1/2 98	150	109⅛	-⅛	7.46
STATE BK NSW 8 1/2 96	200	103⅜	-⅛	7.36
STATOIL 7 5/8 94	200	102⅝	-⅛	6.12
SWEDEN 8 1/8 94	150	104⅛	-⅛	5.86
[illegible]				

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	88⅜	+⅛	7.18
AUSTRIA 4 5/8 98	100	90	-⅛	6.79
CHUBU ELEC POWER 6 3/4 01	300	98	-1	7.06
COUNCIL EUROPE 4 3/4 98	250	88¼		7.21
EEC 5 1/2 00	100	90	-½	7.10
EIB 6 1/2 98	800	99⅜	-⅛	6.62
ELEC DE FRANCE 7 1/4 06	100	101	-1¼	7.13
FINLAND 5 3/8 95	150	94½		7.22
GENERAL MOTORS 7 1/2 95	100	99⅝	-⅛	7.57
JAPAN DEV BK 5 1/2 94	100	96	+⅛	8.06
KOBE 6 3/8 01	240	96⅛	-1¼	6.86
NEW ZEALAND 4 7/8 99	200	86⅛	-⅛	7.48
[illegible]				

	Issued	Bid price	Chg on week	Yield
[illegible]				
OSTER KONTROLLBANK 8 1/2 01	200	104⅜		7.71
OSTER KONTROLLBANK 9 95	200	107½	-⅛	6.37
OSTER POSTSPARK 10 1/2 94	150	108⅜	-⅛	5.74
PANASONIC FIN 9 3/8 94	300	106⅛	-⅛	5.63
PETRO-CANADA 7 1/4 96	200	101½		6.81
PETROBRAS 10 96	200	97⅛	+⅛	11.14
PHILIP MORRIS 9 7/8 98	200	106	-⅛	8.49
PROCTER & GAMBLE 10 95	150	101⅛	-⅛	9.31
PRUDENTIAL FIN 8 1/4 01	300	99⅜	+⅛	8.30
PRUDENTIAL RLTY SECS 0 99	365.216	59⅜	-⅛	8.06
QANTAS AIRWAYS 8 5/8 96	97.75	104⅜	-⅛	7.12
QUEBEC HYDRO 9 01	300	104⅝	+⅛	8.25
QUEBEC HYDRO 9 3/4 98	150	108⅜		7.90
QUEBEC PROV 9 98	200	105⅜	-⅛	7.82
QUEENSLAND GOVT 10 1/4 95	100	109⅛	-⅛	6.77
RALSTON PURINA 11 3/4 95	150	111⅛	-⅛	7.40
REED PUBLISHING 9 5/8 97	150	107½	-⅛	7.79
SAINSBURY 9 1/8 96	150	106⅜	-⅛	7.34

	Issued	Bid price	Chg on week	Yield
[illegible]				
AUSTRIA 6 3/4 99	750	92	-⅛	8.32
BNP 8 1/4 01	200	100⅛		8.20
DEUTSCHE FINANCE 7 1/2 95	1000	97		8.78
EIB 5 3/4 98	400	89⅜	-⅛	8.09
EIB 6 1/4 99	600	90⅛	-⅛	8.16
EUROFIMA 8 3/4 96	400	101⅛	-⅛	8.41
FIRST INTERSTATE 5 3/4 96	100	86⅛	+⅛	10.13
IND BK JAPAN FIN 5 5/8 96	200	89⅜	-⅛	8.78
INTER AMER DEV 9 00	300	104⅜	-⅛	8.27
IRELAND 6 1/2 99	300	91⅛	+⅛	8.23
LUFTHANSA INT FIN 5 7/8 98	500	88⅜	-⅛	8.33
NAT BK HUNGARY 10 3/4 98	500	100		10.72
QUEBEC HYDRO 8 5/8 01	600	100⅜		8.57
SWEDEN 6 1/8 98	300	91½	-⅛	8.00
TURKEY 10 3/4 96	500	100⅜	+⅛	10.60
WORLD BANK 0 15	2000	19⅜	+⅛	7.12
WORLD BANK 5 3/4 96	300	92	+⅛	8.27
WORLD BANK 8 3/4 00	1250	103⅛	+⅛	8.15

EQUITY WARRANTS	Expiry Date	Bid price	Chg on week	Prem
ASAHI GLASS	25/06/98	18⅛	+2	26.47
CANON	24/05/95	13⅛	+1½	16.88
HANKYU DEPT STORES	14/03/96	5⅛	+⅛	58.91
HINO MOTORS	06/07/94	½	+⅛	74.75
KOBE STEEL	12/06/96	2⅛	+⅛	59.41
MITSUBISHI EST	11/03/94	⅛		
MITSUI TOATSU CHEM	30/01/98	2⅝	+⅛	
MORINAGA	13/06/95	11⅛	+⅛	25.16
NICHIREI CORP	11/06/98	11⅛	+2⅛	23.30
NIPPON COMSYS	31/01/95	3½		56.30
NISSHIN STEEL	18/04/96	2⅝	+⅛	
ROYAL HOTEL	14/03/95	1⅛		72.56
SMC	25/07/95	1⅛	+⅛	93.62
TAKASHIMAYA	02/07/96	7⅛	+⅛	35.66
TOYO SASH	05/08/97	3⅛	+⅛	
YAMANOUCHI PHARM	01/03/94	12⅛	+1	20.87

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on May 22

INTERNATIONAL BONDS

Lower-rated borrowers turn to Yankee sector

THE YANKEE bond market – the US bond market for foreign issuers – *is proving an important source of* funds for lower-rated borrowers unable to raise funds at an acceptable cost in other markets.

A growing number of sovereign borrowers which do not command top credit ratings are discovering the market. Thailand, which carries a single-A credit rating, tapped the market earlier this year. Mexico and Turkey are expected to follow in the next few weeks, with east European borrowers such as Hungary also considering issues.

Mexico is expected to launch a $250m 10-year deal via Goldman Sachs, Merrill Lynch and J. P. Morgan, while Turkey is planning a $200m deal, probably maturing in seven years, via J. P. Morgan and Salomon Brothers.

Another group of issuers are European banks, which have caught on to the fact that the Yankee bond market provides a rare opportunity to raise subordinated debt, which counts as capital under the Basle *guidelines on* international bank capital adequacy.

Finland's Kansallis-Osake-Pankki and Germany's Landeskreditbank both raised subordinated debt last month. A string of others, including more Scandinavian banks, are expected to follow. Banque Paribas, the French bank, and Bayerische Landesbank, the German bank, are among the names circulated among bond market participants.

Lower-rated European companies are also finding that they can raise *debt finance more cheaply in the* Yankee market than in the Eurobond market. This is a sharp reversal from the 1980s, when only top-quality European borrowers could gain access *to the US market*.

Since the start of 1991, however, only 12 per cent of borrowers in the Yankee bond market have carried a top *triple-A* credit rating. *Single-A* and triple-B issuers have accounted for 60 per cent of the market, according to Merrill Lynch.

One reason for the turnround is that many investment institutions have hired credit analysts specialising in foreign debt in the past few years.

"US institutions have got up to speed on the credit composition of offshore debt," said Mr James Quigley, a managing director on Merrill Lynch's global debt financing desk.

Improved access for overseas borrowers has not come in the areas where it was expected. For example, the 144a market – a hybrid of public and private placement markets widely expected to attract foreign borrowers because of less stringent disclosure requirements – has *failed to take off. However, the* introduction of Securities and Exchange Commission rule 144a in April 1990 focused the attention of US investors on foreign debt.

The recent growth of the Yankee bond market has been fuelled by demand from US mutual funds, *which have been experiencing* a heavy inflow of funds.

Since the collapse of the junk bond market, fund managers have found it hard to satisfy their appetite for higher-yielding securities, which has been sharpened by the current low interest rate environment. Lower-rated overseas issuers are providing a ready source of high-yielding bonds.

Although the US junk bond market has found its form again, the heavy pace of junk bond issuance has been almost matched by early redemption of outstanding junk debt, often due to refinancing.

Last month, for example, $3.4bn *of outstanding debt was retired,* compared with $3.5bn in new issues, according to Mr Edward Mally, director of high yield research at Salomon Brothers.

Even with $5bn junk bond issuance pending, there is still likely to be pent-up demand for high yielding securities.

In addition, changes in the regulations governing insurance companies have increased the amount of capital they must hold against junk bonds, so that better rated but still high-yielding securities may prove an attractive alternative.

While US institutions have become more interested in higher yielding securities issued by foreign borrowers, European investors have become increasingly credit sensitive.

As a result of their relative credit assessments, triple-A rated government agencies, for example, can normally raise funds about 5-10 basis points more cheaply in the *Eurobond market*, while single-A credits and lower can save varying but often *substantial amounts* by tapping the Yankee market.

Tracy Corrigan

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Bank of Greece(a)†	250	1997	5	8⅛	99.82	Merrill Lynch	8.170
Banesto Finance(b)‡†	*100*	*2002*	*10*	*(c)*	*100.05*	*Merrill Lynch*	-
Kidder Peabody Mort.(c)‡†	205	1997	5	(d)	100	Kidder Peabody Secs.	-
Deutsche Bk. Fin.(d)	100	1995	3.25	7¼	104.0875	Deutsche Bk.	8.754
Province of Ontario(j)†	2bn	2002	10	7¾	99.486	Salomon Brothers	
Goldman Sachs†	250	1997	5	7⅝	101½	Goldman Sachs	7.257
SBAB(f)‡†	200	1995	3	(f)	100	UBS Sec.	-
Toagosei Chem.Inds.♦	100	1996	4	3⅛	100	Daiwa Europe	3.125
Bnc.De Galicia B.Aires(h)†	50	1993	1.5	8¾	99.0253	Man. Hanover	9.435
Bnc.Da Bahia Inv.†	50	1994	2.5	10	97.654	Bear Stearns	11.062
Toyota Motor Corp.†	1bn	1997	5	6⅞	101.205	Nomura Intl.	6.584
SE Banken(l)†	500	1997	5	7⅜	101.478	CSFB	7.014
Telebras†	100	1997	5	*10*	*99.54*	*Salomon Brothers*	*10.122*
Prov.of Brit.Columbia†	500	2002	10	7¾	98.61	Deutsche Bk.Cap.Mkts.	7.957
Aerovias de Mexico(p)†	100	1995	3	9¾	99.05	Citicorp Inv.Bk.	10.125
Lloyds Bank(q)†	50	1995	3	9.5	98.603	Banque Indosuez	10.051
Banco Rio de la Plata(r)†	40	1994	2	8	100.1574	Bankers Trust Intl.	7.913
Rep.Oriental.Uruguay(z)†	100	1995	3	8.25	99.09	*J.P.Morgan Sec.*	8.601
STERLING							
Northern Rock B/S.(e)‡†	100	1994	2.5	(f)	100	S.G.Warburg	-
EIB(f)†	200	2002	10	9	99.403	Samuel Montagu	9.089
BP America.Inc.(u)†	125	1998	6	9½	100.70	Hambros Bank	9.342
Brad.& Bingley B/S.(w)‡†	75	1995	3	(w)	99.45	Samuel Montagu	-
GECC(y)†	70	1997	5	9⅜	101.50	UBS Phillips & Drew	8.989
YEN							
EIB(m)†	50bn	1999	7.5	5⅞	101.90	Goldman Sachs Intl.	5.551
Japan's Royal Hotel Ltd†	*10bn*	*1997*	5	6.1	101.70	Nomura Intl.	5.709
Nippon Paint Co.Ltd.†	10bn	1997	5.25	6.1	101.70	Nomura Intl.	5.710
OKB(x)†	25bn	1998	6.25	6.5	101.075	Nomura Intl.	5.701
ECU's							
Alcatel Alsthom†	150	1997	5	9⅛	101.22	Morgan Stanley Intl.	8.812
Ist.Banc.San Paolo.(g)‡†	150	1997	5	(g)	100	Ind.Bk.of Japan	-
Finnish Export Crdt.†	300	1995	3	9¼	101.0625	Salomom Brothers	8.832
Kingdom of Spain(n)†	250	1994	2	9.2	100	Lehman Brothers	-
D-MARKS							
Republic of Finland†	1bn	2002	10	8¼	102	Deutsche Bank	7.953
Bayerische LFA Fin.†	200	2000	8	zero	55.05	Bayerische Ver.	-
Korea Dev. Bk.†	200	1997	5	8½	100.85	Bayerische Landesbk.	8.286
Republic of Austria†	1bn	2002	10	8	102	Dresdner Bk.	7.706
EIB†	300	1998	6	8	101⅜	Salomon Brothers AG	7.705
Bariven SA.†	250	1997	5	10¾	100.25	Bayerische Vereinsbk.	10.683
Eur.Coal.& Steel Comm‡†	158	1997	5	(v)	100	Trinkaus & Burkhardt	-
SWISS FRANCS							
IBM Intl.Fin.(k)†	50	1994	-	8	101	SBC	7.444
*Iloki Co**†*	*50*	*1997*	-	7½	*99⅝*	*Dai-Ichi Kango Bk.*	*7.593*
FRENCH FRANCS							
BNP†	1.5bn	2002	10	9	101.365	BNP Cap. Mkts.	8.789
Compagnie Bancaire(l)†	600	1996	3.66	9¼	99.61	Paribas Cap.Mkts.	9.349
Crdt.Local De France†	2bn	2007	15	zero	28.299	BNP Cap.Mkts.	-
Petroleos Mexicanos(s)†	500	1994	2	10¾	99.85	Paribas Cap.Mkts.	10.837
LIRE							
Cariplo†	*250bn*	*1997*	*5*	12	*101.70*	*IMI Lux.*	*11.534*
L.B.W. Fin.(o)†	150bn	1999	7	11.625	101.75	Bca.Naz. del Lavoro	11.251
CANADIAN DOLLARS							
IADB†	300	2002	10	9	101.425	SBC	8.780
OKB†	250	2002	10	9	101.755	Crdt.Suisse Fst.Boston	8.730
Abbey Nat.Treasury Ser.†	125	1995	3.5	8¼	100.85	UBS Phillips & Drew	7.936
GUILDERS							
Credit Lyonnais†	*250*	*2002*	*10*	*8½*	*100.20*	*Credit Lyonnais Ned.*	*8.470*
Fin.for Danish Ind.†	100	2000	8	8½	100.25	Kredietbank	8.456
IADB†	300	1997	5	8⅜	100.75	ABN Amro	8.186
PESETAS							
Swedish Export Crdt.†	10bn	2002	10	10.40	101.80	Banesto	10.104
LUXEMBOURG FRANCS							
Crdt.Agric Ile France	1bn	2001	9	9	101.85	BQ.Intl.Lux	8.695

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ♠Variable rate note. †Final terms. a) Coupon and price fixed 18/5/1992, issued on 15/5/1992. Non-callable. b) Coupon pays 75bp over bid side of 5 year swaps for first 5 years, thereafter pays 150 bp over 6 month Libor. Price fixed 18/5/1992, issued 11/5/1992. c) Coupon pays 80bp above 6 month Libor. Fees undisclosed. Non-callable. d) Fungible with existing $250m issue 40 days after payment. e) Coupon pays ¾ above 3 month Libor. f) Coupon pays 3 month Libor plus 6.25bp. Non-callable g) Coupon pays 6 month Libor plus 20bp. Non-callable. h) Coupon payable Semi-annually. Non-callable. i) Fungible with existing FFr1bn issue. Non-callable. j) Issued on 19/5/1992, priced 20/5/1992. Indicated yield spread: 64-66bp. k) Promissory note issue. Non-callable. l) Amount increased from $300m. Non-callable. m) Fungible with existing Y80bn issue. n) Medium Term Note issue. Fees undisclosed. o) Borrowers full name Landeskreditbank Baden Wuerttemburg Finance. Non-callable. p) Coupon payable semi-annually. q) Coupon payable semi annually. Fees are ⅝ for selling. Brazilian branch of Lloyds Bank. Subordinated issue. r) Coupon payable semi-annually. Non-callable s) Fees are ⅝ for underwriting. Non-callable. t) Fungible with existing £200m issue. Non-callable. u) Amount increased from £100m. v) Coupon pays 6 month Libor minus 60bp. Non-callable. w) Coupon pays ⅛% above 3 month Libor. Fungible with existing £100m issue. x) Fungible with existing Y25bn issue. y) Issue part of a Global MTN programme. z) Coupon payable semi-annually. Amount increased from £75m. Note. Yields calculated on ISMA basis.

Anthony Harris

When gentlemen prefer bonds

No, this isn't *another expression* of support for Norwich Union. It is an examination of the Cobbold project to merge the pound and the French franc. It is not very likely to happen, but it does raise some interesting questions (one of them which concerns gentlemen and bonds).

The Cobbold of the project is not the former Governor of the Bank of England, who would surely have hated it; in 1955, when another European monetary venture was being floated, he warned *R. A. Butler against getting "tied* up to something very like Gold Standard practice". It comes from his son David, the present Lord Cobbold, who runs his own currency specialist firm. The idea is ostensibly to start monetary union somewhere, now, and no doubt to dish the Bundesbank too.

There is a suspicious numerical neatness to the thing: with a minimal effort, as Cobbold likes to point out, we could merge at Fr10 to the pound; we could call our florin a franc, and they could call Fr10 *un livre*. Well, yes; and the number of my house is a perfect square, as it happens. But the idea does have some serious merits.

It's politically neat: both our prime ministers are strong currency men, and impatient with German constraints on recovery. *It would involve an independent* central bank which would have appealed strongly to the first Lord Cobbold, and would be good for credibility. Above all, our pooled currencies and pooled reserves would be impressively large, and might free us from the need to follow monetary policies devised *in Frankfurt*.

In short, we could cut interest rates (if we could persuade our newly liberated central bankers to agree). It may be a sidetrack on the road to a European money, if you happen to believe that we will ever arrive there; but it could still be, as Senator Warren Rudman *claimed for his US budget-balancing* bill, "a bad idea whose time has come".

But would it work? Not if you accept the fashionable theory that short-term interest rates are simply *a function of exchange rate* expectations; but this theory, again, seems to me a good deal too neat for its own good. It overlooks a couple of significant facts.

First, there wasn't a sterling crisis in the weeks before the British general election. This must effect expectations; according to the theory, interest rates should have moved sharply. They didn't. And this is not just a special case. European money rates, having converged strongly, are now becoming de-coupled, as some alert brokers have remarked. This could, of course, reflect nothing but growing doubts about the EMU project: *but in my experience, dealers give little thought to* such distant matters. In any case, the drift can be explained purely from market facts.

Consider the dollar: US short rates, thanks to the Fed, are absurdly out of line, but bond rates are quite comparable with ours. Then note the recent behaviour of the currency markets. They used to defy the central banks to resist market forces; now they respond tamely to any official hint. Dealers behave differently because their orders have changed. The banks used to employ them to play the markets; now they are risk-averse, and insist that exposures must be cleared by closing time. This reduces liquidity, and so enables short-term rates to decouple.

The gentlemen who run pension *funds, investment trusts and the* like are by contrast immune to this epidemic of fright. On the contrary, they buy foreign securities in the name of safety, to spread their risks; and what they like, when equities look a bit too demanding, as on Wall Street, or accident-prone, as in Tokyo, is *bonds, which have a predictable* return and huge liquidity. So though hot money has cooled, investment funds continue to flow. Bond rates are likely to stay in step – to the distress of the Fed, which cannot get investment going despite ever lower money rates.

So Cobbold's Franc Sterling might well float quite securely to lower short rates. We might even be able to go it alone. Pity it won't happen.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ YESTERDAY
Aluminium Co of America 50.4
Dolphin Packaging 2.8p
Forsmarks Kraftgrupp AB 9¼% Gtd. Nts. 1994 DK1950
GN Great Nordic DK12
Nestle SFr215
Norsk Hydro NK3.5
Royal Dutch Petroleum (Br.) FL4.75
Do. (Reg.) FL4.75

■ TODAY
Allied Irish Banks Und. Fltg. Rate Nts. $288.88
Commerzbank O'seas Finance BV Fltg. Rate Nts. 1995 $508.33
Gartmore Scotland Inv. 2.8p
Do. Package Units 700p
HSBC Hldgs. HK$1.31
Lloyds Eurofinance NV Gtd. Fltg. Rate Nts. 1996 £127.56
Molins 9.75p
New Zealand Fltg. Rate Nts. 1997 £130.4
Paribas French Inv. Tst. 1.2p
Relyon 3.15p
Savoy Hotel A 7p
Do. B 3.5p
Slough Estates 7.15p
Standard Chartered Sub. Fltg. Rate Nts. 1996 £130.87
VTR 1.2p
Wilson Bowden 6.2p
Woolwich Bldg. Soc. Fltg. Rate Ln. Nts. 1996 £262.36

■ TOMORROW
Baynes (Charles) 0.85p
Buhrmann-Tetterode FL2.2
De Beers Cons. Mines/De Beers Centenary AG Lkd. Units $0.6468
Gabicci 1.4p
GKN 12.5p
Housing Finance Corp. 11½% Deb. 2016 £5.75
Intec Inc. 6% Nts. 1999 Y163333
Irish Life IR5.44p
Merrill Lynch $0.3
Prudential Corp. 7.2p

■ THURSDAY
MAY 28
Bank of Montreal C$0.53
British Mohair 7.1p
Cater Allen Gilt Inc. Fd. Ptg. Prf. 30p
Dagenham Motors 4p
Erith 0.7p
Kobe Steel 5.6% Bds. 1997 Y156276
Do. 5.9% Bds. 1999 Y169972
Macfarlane 2.48p
Mitsubishi Bank 3½% Cnv. Bds. 2004 $1125
Nationwide Bldg. Soc. Fltg. Rate Nts. 1993 £255.89
Queens Moat Houses 1.54p
Steel Burrill Jones 9p
Sunset & Vine 1.5p
Swallowfield 3.3p
TT Group 3.3p

■ FRIDAY
MAY 29
Ash & Lacy 3.9p
Bank of Scotland 9¼% Irrd. Prf. 4.625p
Do. 9¾% Irrd. Prf. 4.875p
Do. Und. Var. Rate Nts. $132.71
BBA 5.25p
BM 2.1p
Boosey & Hawkes 14.5p
Bostrom 3.5p
Bowater 12.5p
Bradford & Bingley Bldg. Soc. Fltg. Rate Nts. 1994 £229.51
Bridport-Gundry 1.5p
British Dredging 4.8p
British Polythene Inds. 6p
BTR 9p
Cadbury Schweppes 9.3p
Capital & Regional Props 0.7p
Chase Manhattan Corp. Fltg. Rate Sub. Nts. 1997 $113.75
Clinton Cards 2.25p
CMW 1.53p
Collateralised Mortgage Securities (No. 7) A1 Mtg. Bkd. Fltg. Rate Nts. 2028 £226.42
Do. A2 Mtg. Bkd. Fltg. Rate Nts. 2028 £270.39
Do. A3 Mtg. Bkd. Fltg. Rate Nts. 2028 £272.88
Do. (No. 8) Mtg. Bkd. Fltg. Rate Nts. 2028 £269.05
Do. (No. 9) A1 Mtg. Bkd. Fltg. Rate Nts. 2033 £193.43
Do. A2 Mtg. Bkd. Fltg. Rate Nts. 2033 £270.39
Do. A3 Mtg. Bkd. Fltg. Rate Nts. 2033 £272.13
Colorgraphic 0.01p
CSC Inv. Tst. 3p
Daniels (S.) 0.25p
Eksportfinans AS c.
Finsbury Growth Tst. 0.9p
Do. A NV 0.9p
First Chicago O'seas Finance NV Gtd. Fltg. Rate Sub. Nts. 1994 £132.71
Fleming (Robert) Netherlands Prim Cap. Und. Gtd. Fltg. Rate Nts. $274.9
F & C Pacific Inv. Tst. 1p
Gencor R0.16
General Motors Acceptance Corp of Canada Fltg. Rate Nts. 1996 C$528.89
Glasgow Inc. Tst. 0.6p
Golden Hope Plants. Berhad [illegible]
Great Western Financial [illegible]
Halifax Bldg. Soc. Fltg. Rate Ln. Nts. 1996 Sers. A £42.91
Hays 1.5p
Iceland Frozen Foods 5.85p
Jacobs (John I.) 1.4p
Jove Inv. Tst. 2.7p
Kleinwort Benson Prim. Cap. [illegible] Fltg. Rate Nts. $268.58
Do. Prim. Cap. Und. Fltg. Rate [illegible] Sers. 2 $268.58
Liberty 5.35p
Do. NV 5.35p
Lilleshall 2.5p
Lloyds Bank Prim. Cap. Und. [illegible] Rate Nts. Sers. 2 $112.17
Magnolia 3.66p
Mayborn 2.8p
Metalrax 2.9p
National Westminster Bank Und. Var. Rate Nts. $135.24
Do. Prim. Cap. Fltg. Rate Nts. [illegible] C $110.59
Nestor-BNA 2p
OK Bazaars (1929) 6% Gross [illegible] Prf. R0.06
Ossory Estates 0.15p
P-E Intl. 4.2p
Pendragon 4p
Portmeirion Potteries 5.1p
Presidio Oil $0.025
Palon 1.4p
Rea Brothers 0.25p
Richardsons Westgarth 1.7p
Ross 0.3p
Rotork 5.75p
Royal Bank of Canada Fltg. Rate Debs. 2005 $32.73
Royal Bank of Scotland 5½% (3.85% net) Prf. 1.925p
Do. 11% (7.7% net) Prf. 3.85p

[illegible]

Do. 7½% (5¼% net) Prf. 2.625p
Automated Security Hldgs. 6% Cnv. Red. Prf. 3p
Bank of Communications Fltg. Rate Nts. 1993 $265.42
Bankers Inv. Tst. 0.66p
Do. 3½% Prf. 1.75p
BBA 6¾% Red. Cnv. Prf. 3.375p
City of Bristol 11½% Red. 2008 £5.75
Bryant 8% (5.6% net) Prf. 2.8p
BTR Nylex A$0.05
Capital & Counties 6¾% 1st Mtg.

[illegible]

1988/93 £3.25
Save & Prosper Return of Assets Inv. Tst. 6.3%-13.3% Ptg. Prf. 5.8p
Scantronic Cnv. Red. Prf. 3.625p
Siebe Cnv. Red. Prf. 4.25p
Sterling Publishing 6% Cnv. Red. A Prf. 2000 3p
Do. 8% Cnv. Prf. 2000 4p
Tate & Lyle Cnv. Prf. 3.625p
TR Smaller Co's Inv. Tst. 10½% Deb. 2016 £5.25
Wade Potteries 10% Prf. 5p

UK COMPANIES

■ YESTERDAY
BOARD MEETINGS.
Finals
Kitty Little

■ TODAY
COMPANY MEETINGS:
Beckenham, The Bonnington Hotel, 92 Southampton Row, W.C., 3.30
Bletchley Motor, Friendly Lodge, Monks Way, Two Mile Ash, Milton Keynes, 12.00
Enterprise Oil, Glaziers Hall, 9 Montague Close, London Bridge, S.E., 12.00
Forte, Grosvenor House, Park Lane, W., 11.00
Hogg, 76 Mark Lane, E.C., 12.15
Macfarlane, The Merchants House, 7 West George Street, Glasgow, 12.00
Russell (Alexander), The Royal Scottish Automobile Club, 11 Blythswood Square, Glasgow, 12.00
Shandwick, 61 Grosvenor Street, W., 12.00
BOARD MEETINGS:
Finals:
ATA Selection
Andrews Sykes
Blacks Leisure
Bristol Channel Ship Repairers
East Surrey Hldgs.
Monks Inv. Tst.
Mercury Asset Management
Mezzanine Cap. & Inc. Tst.
Warburg (S. G.)
Interims:
Radio Clyde

■ TOMORROW
COMPANY MEETINGS:
Blue Circle Inds., Inn on the Park, Hamilton Place, Park Lane, W., 12.00
Clinton Cards, Crystal Bldg., Langston Road, Loughton, Essex, 10.30
Dagenham Motors, The Savoy Hotel, Strand, W.C., 12.00
Greenacre, The Copper Inn, Pangbourne, Berkshire, 10.30
Guinness, Grosvenor House, Park Lane, W., 12.00
Ibstock Johnsen, Albany House, 180 Albany Street, N.W., 10.00
Meisac, Apollo Hotel, Hagley Road, Edgbaston, Birmingham, 11.00
Proudfoot (Alexander), 11 Devonshire Square, E.C., 11.00
Prudential Corp., Plaisterers Hall, 1 London Wall, E.C., 11.30
Rea Brothers, Great Eastern Hotel, Liverpool Street, E.C., 12.00
Reckitt & Colman, New Connaught Rooms, 15 Great Queen Street, W.C., 11.00
Rolls-Royce, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 11.30
Severfield-Reeve, The Angel Inn, Long Street, Topcliffe, Thirsk, North Yorkshire, 12.00
Telemetrix, Bakers Hall, Harp Lane, E.C., 11.00
BOARD MEETINGS:
Finals:
Body Shop Intl.
British & American Film
Caffyns
Casket
Mid Kent Hldgs.
Interims:
Carlton Communications
Cosalt
Fairline Boats
Group Dev. Capital Tst.

■ THURSDAY
MAY 28
COMPANY MEETINGS:
Acorn Computer, The University Centre, Mill Lane, Cambridge, 10.00
Aegis, 2 Eaton Gate, S.W., 10.30
BAT Inds., Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 12.00
BNB Resources, 30 Farringdon Street, E.C., 12.00
Baird (Wm.), Town House Hotel, West George Street, Glasgow, 12.00
Bridgend, Stocks Hotel & Country Club, Stocks Road, Aldbury, Hertfordshire, 12.00
Caird, 135 Bishopsgate, E.C., 10.00
Clarkson (Horace), The Great Eastern Hotel, Liverpool Street, E.C., 12.00
F & C Pacific Inv. Trust, Exchange House, Primrose Street, E.C., 12.00
Hewden-Stuart, The Glasgow Royal Concert Hall, 2 Sauchiehall Street, Glasgow, 12.00
Magnolia, Magnolia House, Rutherford Drive, Park Farm South, Wellingborough, Northants, 12.00
Mowlem (John), Building Employers Federation, Cavendish Conference Centre, 18-20 Duchess Mews, W., 12.00
Newarthill, 40 Bernard Street, W.C., 12.30
Portmeirion Potteries, London Road, Stoke-on-Trent, 2.30
Queens Moat Houses, Stoke-on-Trent Moat House, Etruria Hall, Festival Way, Etruria, Stoke-on-Trent, 2.30
Secure Trust, Edmund House, 12 Newhall Street, Birmingham, 12.30
Tibbett & Britten, The Farmers' & Fletchers' Hall, 3 Cloth Street, E.C., 10.00
Venturi Inv. Trust, Burne House, 88 High Holborn, W.C., 10.30
World of Leather, World of Leather, North Circular Road, N.W., 12.00
BOARD MEETINGS:
Finals:
Babcock Intl.
Castle Mill Intl.
Clarke Nickolls & Coombs
European Colour
Expedier
Macdonald Martin Distills.
North West Water
PCT
Rolfe & Nolan Computer Services
Scottish Power
South West Water
TDS Circuits
Thorn EMI
Interims:
ABI Leisure
Archer (A. J.)
MEPC
M & G Group
Scottish Inv. Trust
Smart (J.)

■ FRIDAY
MAY 29
COMPANY MEETINGS:
Aspen Communications, 135 Bishopsgate, E.C., 10.30
Davies & Newman Hldgs., The Forte Crest Hotel, Gatwick Airport, North Terminal, West Sussex, 10.30
Johnston Group, The Hyde Park Hotel, Knightsbridge, S.W., 12.00
Molynx Hldgs., 10 Lower Thames Street, E.C., 12.00
Ollves Hldgs., Royex House, Aldermanbury Square, E.C., 10.00
Tesco, Merchant Taylors' Hall, 30 Threadneedle Street, E.C., 11.00
Tyne Tees TV Hldgs., The Television Centre, Newcastle upon Tyne, 2.30
Watts Blake Bearne, The Manor House Hotel, Moretonhampstead, 11.45
Whatman, Chartered Accountants' Hall, Moorgate Place, E.C., 12.30
BOARD MEETINGS:
Finals:
Cakebread Robey
Hunter Saphir
Park Foods
Southnews

Company meetings are annual general meetings unless otherwise stated.

ECONOMICS

Markets seek inspiration from UK trade figures and new US activity

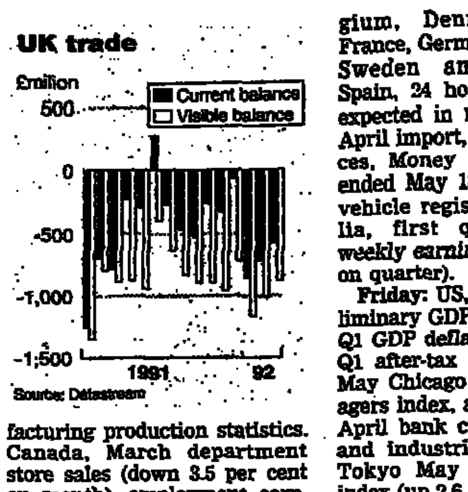
IN A week shortened by public holidays in much of the industrialised world, markets will be seeking inspiration from the April UK trade figures today and later from new US activity and confidence data and preliminary cost of living figures for May from Germany and some of its western Länder.

The £575m UK current account deficit in March was the best so far this year and markets will be waiting to see if this performance was maintained in April. Interest has mainly focused on the implications of the figures for the domestic UK economy. Imports performed better than exports in the first quarter and this trend, if continued, could reinforce signs of economic recovery in the UK.

Given the uncertainties about the US recovery, today's Conference Board consumer confidence index and Friday's Chicago purchasing managers' index are likely to command more attention than the preliminary first quarter GDP figures, also due on Friday. The German preliminary cost of living figures are likely to show no fall in headline inflation and therefore offer no encouragement to hopes of lower German interest rates.

Highlights of the week ahead, with the median of forecasts in brackets from MMS International, the financial information company, include:

Today: UK, Current account balance of payments (£600m deficit) and trade figures for April (£900m deficit). US, Conference Board consumer confidence index for May (67 per cent), domestic car sales to May 11-20 (6m). Presidential primaries in Arkansas, Idaho and Kentucky. France, first quarter GDP (up 0.4 per cent on year). Japan, March personal income, consumption expenditure, April retail sales (up 0.9 per cent on year). Australia, April vehicle registrations (down seasonally adjusted 2.5 per cent), manufacturing production statistics. Canada, March department store sales (down 3.5 per cent on month), employment earnings (up 4 per cent on year).



Tomorrow: Germany, cross party talks on the economy. UK, April building society net new commitments (£3.5bn), provisional new construction orders for March. US, April durable goods orders (up 0.7 per cent), shipments. Japan, April industrial production (down seasonally adjusted 1 per cent). Canada, April industrial product price index (up 0.2 per cent). France, April trade balance (FFr300m deficit).

Thursday: Ascension Day: markets closed in Austria, Belgium, Denmark, Finland, France, Germany, Netherlands, Sweden and Switzerland. Spain, 24 hour general strike expected in most regions. US, April import, export price indices, Money supply for week ended May 18. UK, April new vehicle registrations. Australia, first quarter average weekly earnings (up 1 per cent on quarter).

Friday: US, first quarter preliminary GDP (up 2.6 per cent), Q1 GDP deflator (3.1 per cent), Q1 after-tax corporate profits, May Chicago purchasing managers index, agriculture prices, April bank credit, commercial and industrial loans. Japan, Tokyo May consumer price index (up 2.6 per cent on year), Japan April CPI (up 2.5 per cent on year), housing starts (up 0.3 per cent on year), construction orders, construction starts, unemployment rate.

During the week: Germany, May preliminary cost of living (up 0.3 per cent on month, 4.5 per cent on year), April import prices (up 0.1 per cent on month, down 2.4 per cent on year). Italy, April trade (L1.8 trillion deficit), May CPI in major cities (up 5.6 per cent on year).

Peter Norman

RESULTS DUE

A FIRST profit contribution from the US should help Body Shop International, the eco-friendly retailer of beauty products, to a 25 per cent-plus increase in pre-tax profits. A figure of £25m to £26m is expected when the full-year results are announced tomorrow. With UK growth limited by recession, the turnround in the relatively new US chain will be a critical factor alongside continued progress on the continent.

Carlton Communications, the television and television services group, is expected to announce a modest increase in interim pre-tax profits tomorrow. Analysts are predicting around £48m, which suggests Carlton has still been suffering from recession. The £46.3m figure last year was nearly 30 per cent down on 1990.

When MEPC, the UK's second largest property company, reports its interim results on Thursday, attention will focus on its development programme, which is the largest in the sector. Analysts will be keen to hear of any progress in letting Alban Gate, the largely-empty office block straddling London Wall in the City.

The pre-tax profits for the half year to March 1992 are expected to be around £63m, down from £67.4m a year ago. Although the rental income is likely to rise, this will be offset by an increase in financing costs as the company reduces the proportion of capitalised interest associated with development properties.

On the same day, Thorn EMI is expected to report annual pre-tax profits slightly down from last time's £258.6m to about £255m, although they could fall as low as £240m.

Recent acquisitions – the half of Chrysalis Records which Thorn did not already own, Remco America, and Virgin Music Group – will probably have boosted the pre-tax line, though earnings are likely to be down around 10 per cent.

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Improving IT Effectiveness
This one day conference examines the key issues in raising the performance of the IT function, exploring the strengths and weaknesses of conventional productivity and efficiency approaches, and presenting alternative.
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Tel: 081-544 1830
Fax: 081-544 9020
LONDON

JUNE 3
Maximising Your Business Potential In Spain
Expanding your business contacts in Spain. Speakers from Spain including decision makers from Barcelona, Basque Region and Canary Islands revealing up-to-date business intelligence. Chaired by UK Ambassador to Spain, in association with the dti. Contact: John Bruce-Smith, Centaur Conference. 071-434 3711. Fax: 071-287 8706
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JUNE 3-4
Introduction to Bonds, Bond Futures & Bond Options Course - Parts 1&2
Day 1: Bond Markets, Redemption Yield, Yield Curves, Bonds Futures; Day 2: Option Terminology, Option Pricing, CTD, Speculation, Hedging & Arbitrage. Venue: Cambridge Science Park, CAMBRIDGE. £345 (1 day only), £595 (both days). Contact: Gillian Beckett, Brady Financial Seminars.
Tel: 0223 423250
CAMBRIDGE

JUNE 4
Effective Leadership
The essential ingredient in good company direction. This IOD seminar, led by Professor John Adair, will look at motivation in the context of leadership, key leadership functions and the contrast between leadership and management.
Enquiries:- Director Conferences 071 730 0022
LONDON

JUNE 4
European Economic Area and the EFTA countries after 1992
Speakers are key participants in the EEA negotiations, leading academic specialists and practitioners of EC law (eg heads of the EEC, Intellectual Property and Energy departments of major law firms). Contact: European Study Conferences
Tel 0536 204224 Fax: 0536 204218
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JUNE 9-10
THE 7TH ANGLO-JAPANESE HIGH TECHNOLOGY INDUSTRY FORUM
convened by The Royal Institute of International Affairs and The Japan Economic Foundation. To be held at The Bath Spa Hotel. For further information please contact Louis Turner.
Tel: 071 957 5700. Fax: 071 957 5710
BATH

JUNE 10
CORPORATE GOVERNANCE
Sir Adrian Cadbury, Robin Leigh Pemberton and other leading figures from the City, business and professionals consider the issues raised by the Cadbury Committee Report and the relationship between Companies, board members and shareholders.
CBI CONFERENCE - Tel: 071 379 7400
LONDON

JUNE 10-11
INTRODUCTION TO OPTIONS COURSE - PARTS 1&2
Day 1: Basic Terminology, Option Pricing, Trading & Hedging Strategies; Day 2: Volatility, Advanced Trading Strategies, Portfolio Management. Venue Cambridge Science Park, CAMBRIDGE. £345 (1 day only), £595 (both days). Contact: Gillian Beckett, Brady Financial Seminars. Tel: 0223 423250
CAMBRIDGE

JUNE 15
How To Be A Success In Tough Times or Strategies For Sustaining Business Recovery
Turning Around Mid Recession: An Investor's Perspective; Creating Demand; Competition, Acquisition and Innovation. Professor J. Stopford; David Scowsill, American Airlines; Colin Wilks, CFO, Lloyds Bank; Ernest Saunders and 5 other top speakers. Contact Century Communications: 071 244 8884 Fax 071 244 8884
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JUNE 15-16
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JUNE 16
OFFSHORE SAFETY - THE RESPONSE TO CULLEN
The draft HSE Regulations will be examined at this major conference and steps taken to date in implementing recommendations of the Cullen Report. Contact: Caroline Little, The Institute of Petroleum. Tel: 071 636 1004. Fax 071 255 1472
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JUNE 17
Managing People For Competitive Edge
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Foreign Exchange Options Course
Intensive one-day course covering various aspects of the FX Option Markets: Trading Strategies, Forward Arbitrage Calculations, Pricing Models, Hedging, Volatility Exposure & Time Decay. Venue: Cambridge Science Park, CAMBRIDGE. £345. Contact: Gillian Beckett, Brady Financial Seminars.
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JUNE 19
CONTINGENCY PLANNING
A matter of Company Survival. Seminar focusing on PRACTICAL aspects of DISASTER RECOVERY and business continuity planning. Provious victims reveal the best long - term solution which avoid additional problems arising in the future. Contact: Juliet Coe, IBC Technical services Tel: 071 637 4383
LONDON

JUNE 22 & 23
The Allocation of the Radio Spectrum
The conference will provide a broad international perspective of developments: consider the allocation of the radio spectrum; what services should be run on it, competing or monopoly; and how transnational services can be co-ordinated. Enquiries: Financial Times Tel: 071-925 2323 Fax: 071-925 2125
LONDON

JUNE 23
Manufacturing In The South East: Wealth Generation For The Future?
One-day conference addressing key issues in the South-East, including: – Will recovery benefit manufacturers? The benefits of a balanced economy? Is proximity to Europe an advantage? Fee: £195. Contact: Sarah Dawson, EELA. Tel: 071 222 7777
KEMPTON PARK

JUNE 24
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Life After the Recession. THE HENLEY CENTRE Special One -Day Conference. How will the recovery develop? And what will the implications be for consumer behaviour? Contact Anna Disley Tel: 071 353 9961 Fax: 071 353 2899.
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JUNE 24
THE LEGAL IMPLICATIONS OF WASTE TO ENERGY PROJECTS
Find out why waste to energy projects should be undertaken, how to do so and what can be achieved through their successful implementation.. Contact Athina Peters, IBC Legal Studies and Services Limited. Tel: 071-637 4383. Fax: 071-631 3214
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Executive Information Systems '92 Annual Conference and Exhibition
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Fax: 071-236 6140
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JUNE 26
Utilities Regulation
The regulatory system and its effect on the utilities industry – from privatisation to the Competition and Services (Utilities) Act 1992.
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Fax: 071 631 3214
LONDON

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Telecommunications & The European Business Market
The liberalisation of the European Telecommunications market, the new alliances that are being formed to meet the global communications needs of business customers. Enquiries:- Financial Times
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European Financial Market Regulation and Company Law
Among the speakers are Lord Slynn, the former ECJ president, Advocate General Van Gerven, the heads of the Commission's Company Law and Financial Institutions Divisions, SIB's Michael Blair. Contact: Laura Masters, Centre of European Law, King's College, London WC2R 2LS, tel: 071 836 5454 ext 1138, fax 071 873 2465
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INTERNATIONAL

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Tel: 071-779 8830 Fax: 071-779 8835
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TOHOKU REGION OF JAPAN

Tuesday May 26 1992

IN 1990, the population of Tohoku, Japan's north-east region, began to increase again. This may sound like a mean accomplishment, but it symbolises the fact that, after decades of sitting on the side-lines of the Japanese economic miracle, Tohoku has finally joined in.

Two of the region's southern prefectures – Miyagi and Fukushima – have in recent years received sufficient industrial investment, particularly in the electronics industry, to offer high-quality jobs that encourage young people to stay at home and attract others to return.

Gradually the impact of the industrial transformation of southern Tohoku, which is linked to Toyko by the high-speed Shinkansen railway line, is certain to spread to other prefectures in the region which are more remote and isolated. It will not come too soon, because outside of Miyagi and Fukushima, young people continue to leave by the thousands to seek a better life elsewhere.

Tohoku is a vast mountainous region that contains some of Japan's most beautiful and unspoilt scenery, and some of its richest farmland. It accounts for nearly 18 per cent of the land area of Japan, but contains just 8 per cent of the population. In the winter cold, wet winds streak across the sea of Japan from the Asian continent and dump piles of snow on the mountains, which has allowed development of some of Japan's best ski resorts. In the summer, Tohoku is spared the worst of the sultry weather that can make life in the capital almost unbearable.

Sendai, the seat of Miyagi prefecture, is the region's administrative and economic centre, and is rapidly developing direct air and telecommunications links with the outside world. Government and academic leaders in Sendai are trying to forge the six prefectures of the region (which for some purposes also includes a seventh, Niigata) into an alliance for the co-ordinated development of a network of high-technology research institutes.

A vast mountainous region that contains some of Japan's most beautiful and unspoilt scenery

The impact of industrial transformation in the south, which is linked to Toyko by high-speed rail, is awaited in the more remote prefectures

Jobs needed to halt exodus

From Sendai, also the site of Tohoku University, this looks a practical, if long-term, way forward towards establishing the economic independence of Tohoku from the rest of Japan.

Yet, for much of the region, this idea looks merely a distant dream. While 14.5 per cent of the working population of Miyagi is employed in primary industry, mainly agriculture, nearly 25 per cent remain on the farm in Aomori to the far north, where there is almost no manufacturing to speak of.

The key difference between the various prefectures is the relative development of their transport infrastructure. The mountains that cover most of the region have increased sharply the cost of building roads and railways. Although the region is well served by a network of local trains, high-speed train service is confined to a corridor linking Tokyo, Fukushima, Sendai, and Morioka in Iwate prefecture, which was completed in 1982.

Yamagata was this month finally connected to the high-speed railway line by means of a mini-Shinkansen, a high-speed train which runs on wide-gauge tracks but with a narrower car that can pass through older tunnels. Construction of a similar line to link Akita to the network has just begun and should be finished by 1995. Construction of a full trunk line to Aomori is also under way, although this may not be completed until the end of the decade.

Three-page survey by Steven Butler

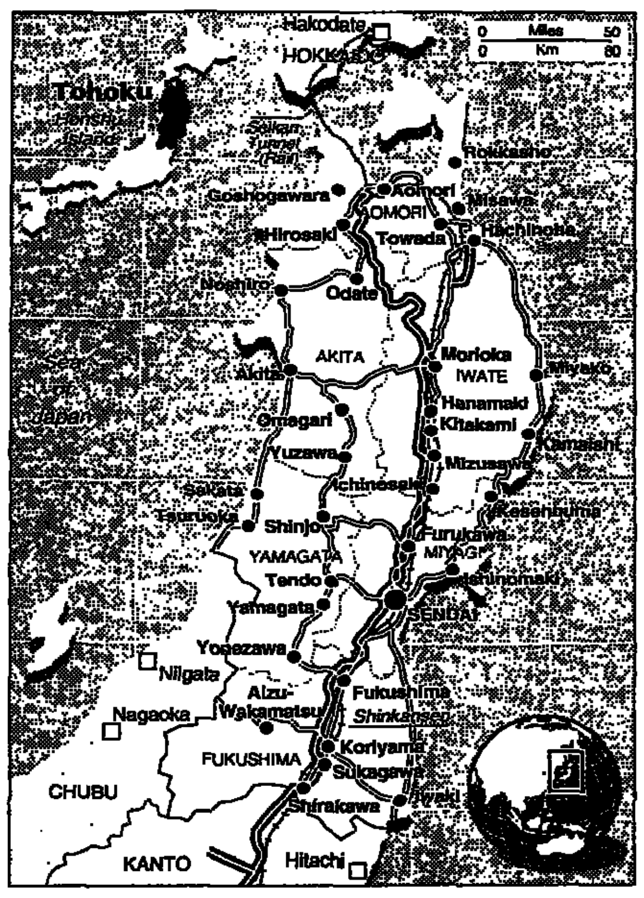
In the mean time, Akita and Aomori have been desperate to stem the outward flow of young people.

"We want the young people to stay, but three to four thousand are leaving every year," says Mr Ken-ichi Sunouchi, deputy director-general of planning at the Akita prefectural government. Akita's population peaked in 1960 at 1.35m, and has fallen to 1.23m today. Just over 16 per cent of the population is now over 65 years old, and this is continuing to rise, causing serious concern about the future viability of parts of the economy, particularly agriculture.

Akita recently opened an office in Tokyo, and has compiled a list of many thousands of Akita natives living in the capital region. After contacting them, 1,600 have expressed a desire to return to Akita. The prefecture is trying to help them, but the difficulty is finding a job in Akita appropriate to the skill of an educated, experienced employee.

Aomori, similarly, is watching 12,000 of its young people leave each year, fully half of the annual school leavers. Prefectural officials cite the lack of appropriate jobs, poor salaries and a dearth of entertainment facilities. Aomori, however, is likely to have to wait a long time before things improve – until the fast train can cut travel time to Tokyo from 5½ hours to four.

In some ways, it is surprising that companies have managed to find so few opportunities to invest in the area, in spite of its relatively poor transporation links. An outstanding exception to this pattern is TDK, the world's largest manufacturer of magnetic tape and ferrite, which maintains its principal manufacturing base in Nikaho, in the southern part of Akita prefecture along the Japan Sea.



TDK was founded in 1935 by Mr Kenzo Saito, a local member of parliament, and the company has based its growth principally on the Japanese discovery of ferrite, a magnetic compound produced by a sintering process that is now used in nearly all electronic appliances. TDK has remained in the area ever since, even as it has gradually expanded to be a global manufacturer.

Its decision to stay, however, was not a act of charity. Mr Tokujiro Kudo, general manager for the Akita district, admits that the business is somewhat hampered by the distance from its principal customers in central Japan, the higher cost of transport, and slightly higher electricity charges. He says, however: "The advantages of Akita far outweigh these higher costs."

Akita offers cheap land and lower wage costs. TDK, as the biggest and most sophisticated company in the area, also has its pick of the graduating class. It has never had to cope with the severe shortage of labour that has begun to afflict the central areas of Japan.

"All of Japan is suffering from a labour shortage," says Mr Kudo. "But TDK has so many people who want to work here." However, he also admits that TDK's position in the region carries a big responsibility. The company, its subsidiaries and suppliers employ about 14,500 people, over 10 per cent of the area's population base, and TDK pays for 70 per cent of the Nikaho town budget. Southern Akita probably has no room for another employer like TDK, though it seems amazing that other sophisticated, international companies have not found opportunities in the region.

Perhaps, over time, the relatively late development of the Tohoku region will be seen as a blessing. Although Japan has coped remarkably well with the intense overcrowding and concentrated industrial development in the central Kanto and Kansai regions, these are becoming less and less attractive places to live and work. Severe road congestion is chronic everywhere, and ordinary salaried employees can no longer afford to buy a home.

Tohoku, by comparison, faces the certain prospect of industrial growth at a time when it is relatively unspoilt and prosperous. It can afford to think about how to preserve an attractive living environment, rather than relegate this to a secondary question after pushing for economic growth at the highest possible speed.

This is not to suggest that achieving a balance between development and environmental preservation will prove easy. Conflict between developers and local residents concerned about damage to the environment will certainly persist.

The greatest problem facing the region will be the human cost of the transformation of agriculture, where the current farm system of small, inefficient plots looks less and less viable as farmers age and cannot find any successors to till the soil. This problem, faced everywhere in Japan, will be all the more painful in Tohoku, because of the larger relative size of the farm economy.

Nevertheless, the pain promises to be eased considerably if, as expected, industrial investment continues at a fast pace, contributing to the further prosperity of the region. Statistics from the ministry of international trade and industry show that over a third of new high-technology factories in Japan between 1978 and 1990 were built in Tohoku. As Japan's manufacturing economy climbs out of its current recession, and as Tohoku's transport infrastructure continues to improve, there is no reason why this trend should not continue.

TOHOKU 2

FOR MANY years, Tohoku's greatest contribution to the Japanese economic miracle was its people, who left the region in thousands to find work in the industrial heartland of Japan, which stretches from Tokyo to Osaka. Otherwise Tohoku was a scenic spot, rather difficult to get to, and filled with farmers, fishermen and loggers.

Completion of the Shinkansen rail express to Sendai in 1983, and later to Morioka, and the gradual expansion of the highway network, however, made parts of Tohoku an attractive area for investment, particularly as the cost of land rose sharply in the Kanto region while the supply of labour became more constrained.

As a result, in the late 1980s, Tohoku enjoyed a surge of investment, particularly in the semiconductor and electronics industries, which spread south from Tokyo into Fukushima and Miyaga prefectures. Tohoku Electric Power, the region's electric utility, claims that over 30 per cent of Japan's high-technology production facilities are now located in Tohoku. The trend is clear, and a wide range of well-known technology companies have recently set up shop in the region, including NEC, Fujitsu, Nikon, *Pioneer*, *Sony*, *Hitachi*, and Motorola.

These facilities, however, are still linked to the Tokyo region, and depend on the fast train service to maintain their viability. The rest of the region – Yamagata, Akita, Iwate, and Aomori – is relatively remote and less industrialised.

The region's main economic indicators

	Japan	Tohoku	Tohoku / Japan %	Aomori	Iwate	Akita	Miyagi	Yamagata	Fukushima
				The prefectures					
Total area (sq km)	377,835	66,971	17.7%	9,247	15,277	11,434	7,292	9,327	13,784
Population	122.3m	9.8m	8.0%	1.53m	1.43m	1.25m	2.21m	1.26m	2.10m
Population employed in industries	58.36m	4.8m	8.2%	718,000	730,000	619,000	1.04m	653,000	1.05m
Employed in primary industry	*5.41m*	*972,000*	*18%*	*173,000*	*185,000*	*135,000*	*151,000*	*131,000*	*197,000*
Employed in secondary industry	*19.3m*	*1.4m*	*7.1%*	*155,000*	*192,000*	*178,000*	*277,000*	*218,000*	*360,000*
Employed in tertiary industry	*33.4m*	*2.4m*	*7.3%*	*389,000*	*352,000*	*306,000*	*606,000*	*303,000*	*489,000*
Gross production (Ybn)	382,078	23,973	6.3%	3,231	3,203	2,797	6,065	2,961	5,715
Primary industry	*8,800*	*1,422*	*15.9%*	*240*	*267*	*222*	*288*	*184*	*211*
Secondary industry	*140,800*	*7,533*	*5.3%*	*722*	*972*	*847*	*1,778*	*1,040*	*2,174*
Tertiary industry	*248,000*	*15,708*	*6.3%*	*2,379*	*2,051*	*1,801*	*4,184*	*1,840*	*3,454*

Source: Tohoku Bureau of International Trade and Industry

Manufacturing industries have made the economy more resilient

New routes to investment

The growth of manufacturing industries *has* netherthe-less changed the character of the regional economy, and made it more resilient.

Bimonthly surveys by the Economic Planning Agency show that Tohoku was one of *the last regions in Japan to* succumb to the economic slowdown. It was not until December that the EPA reported the first change in sentiment, six months after the Kanto economy *surrounding* Tokyo began to slow. By February, however, the slowdown in industrial output was comparable to the rest of the nation, with a 5.1 per *cent decline on the previous* year, compared with a 4.6 per cent decline nationwide.

The late slowdown in manufacturing is believed to have resulted from the relative newness and higher efficiency of Tokoku *industrial* plant. Companies pulled the plug first on older plant elsewhere in the country. In other respects, Tohoku looks relatively robust. It was the only region in the country to report an increase in automobile sales last year, and the 5 per cent decline in March sales, compared with a year ago, was much better *than the national average* decline of 7.5 per cent.

The increase in bankruptcies is also well below the national average. Companies elsewhere have been driven to the brink by the collapse in land prices. Tohoku never suffered from rampant land speculation, and prices remain firm.

Total investment in Tohoku has been brisk, having grown by 13 per cent in the fiscal year to the end of March, compared with a nationwide expansion of 9.1 per cent. In the current fiscal year, the Japan Development Bank expects investment *to grow* by 11.2 *per cent, com*pared with a nationwide decline of 0.8 per cent. After stripping out special factors, however, the underlying trends are not very different.

Much *of* the increase in Tohoku is accounted for by large and growing investment in electricity generation, particularly the construction of several nuclear reactors. In 1991, at Y799bn (£3.3bn), this accounted *for* 44 per cent of all investment, and at Y959bn this year it is expected to account for 47.5 per cent.

A 6.8 per cent decline in manufacturing investment last year was caused mainly by a surge in investment in 1990 by Mitsubishi Paper Mills, which cut back sharply in 1991, and is slashing investment again this year. This year's projected decline in manufacturing investment of 0.2 per cent is much better than an expected nationwide decline of 6.6 per cent, but the relatively better performance in Tohoku again stems from the nuclear power industry. Investment in the *non-ferrous metals* industries will grow by 60 per cent this year to Y167bn in an effort to prepare to meet orders from the nuclear industry.

Investment in the electronics industry – the biggest area of manufacturing investment for several years running – fell by 17.3 per cent last year and is set to fall by 24 per cent this year to Y133bn, in line with declining investment throughout the industry.

None the less, when the industry does pull out of its slump, Tohoku is likely to be first in line *to see a resurgence* of spending. With land and labour supply more favourable than in the rest of Japan, and with transport improving steadily, it is fundamentally a more attractive place to invest.

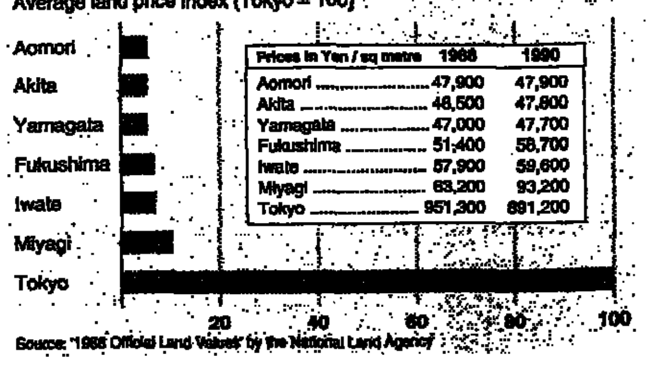
This generalisation, however, does not apply to the entire region. The economy in Aomori, for example, has slowed down sharply, from 4.4 per cent growth in 1990 to 2.9 per cent last year – though this stems mainly from the typhoon which last autumn blew up to half the apple crop to the ground.

"There is a very small connection to the rest of the Japanese economy," says Mr Kiyoei Kobayashi, *deputy director* general of planning at the Aomori Prefectural Government. "We have felt no impact of the collapse of the bubble economy in Japan."

Aomori and Akita, in particular, will have to wait for further improvements in transport before they become better integrated with the rest of the Japanese economy and fundamentally more attractive to industrial investors. In the meantime, they can expect to benefit from increased infrastructural investment and the growth of tourism.

Residential land prices

Average land price index (Tokyo = 100)

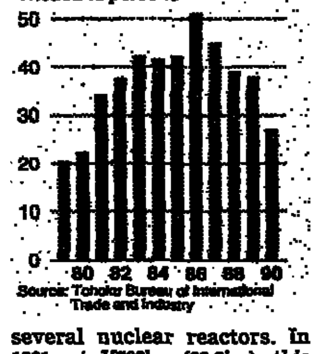


Prices in Yen / sq metre	1988	1990
Aomori	47,900	47,900
Akita	48,500	47,800
Yamagata	47,000	47,700
Fukushima	51,400	58,700
Iwate	57,900	59,600
Miyagi	63,200	93,200
Tokyo	951,300	891,200

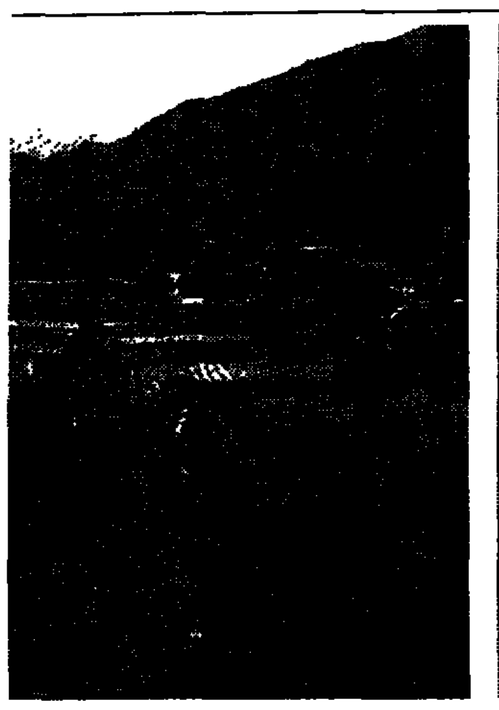
Source: '1988 Official Land Values' by the National Land Agency

Population exodus from Tohoku

Thousand persons



Source: Tohoku Bureau of International Trade and Industry



Two faces of Tohoku agriculture: rice-growing, and a cattle market

Farm income has not kept up with the rest of the economy

The young leave the land

A SENIOR official at the Akita prefecture federation of agricultural co-operatives (JA) has no doubt about the greatest problem facing Akita farmers:

"Ageing farmers cannot find successors to take over the business. If they can't find successors agriculture will be destroyed," he says.

Mr Susumu Inaba's logic is flawless. Although it is unlikely that large stretches of Tohoku farmland will lie fallow for lack of farmers, the social and economic structure surrounding agriculture in the north of Japan is probably doomed.

The unwillingness of the children of farmers to stay and work the land is, of course, merely *a symptom of the deep* economic difficulties facing Japanese agriculture. Farm income has failed to keep up with the rest of the economy, even though farm prices are often many times world levels.

Mr Hajime Sasaki, an organic vegetable farmer near Omagari, in Akita, says: "The way farming has been going, I don't want my children to take over the business."

This is a startling admission in a farm society where emotional ties to the land are sometimes nearly as deep *as* ties between family members. Mr Sasaki simply worries that his children would be unable to earn a reasonable income on the farm.

The problems facing agricul*ture in Tohoku are similar in* character to those found elsewhere in Japan, but Tohoku is also in some ways a special case, because of the larger share of agriculture in the regional economy.

Agriculture, for example, accounts for about 16 per cent employment in Tohoku, compared with 8 per cent nationwide. Primary industries in Tohoku account for 5.5 per cent of the gross regional product, *compared with 2.3 per cent* for the nation.

Tohoku farms are larger than average – 1.61 hectares, compared with 1.37ha. And farm families in Tohoku are more highly dependent on agricultural income than their compatriots. Average income from agriculture in Tohoku was Y1.4m (£5,864) per family in 1990, 23 per cent above the national average for a farm family; but total income, including non-farm sources, came to just Y6.08m, compared with a national average for farm families of Y6.6m.

This greater dependence on agriculture can hurt, as it did last year when cold weather inflicted Y104bn of losses on the rice crop, and a severe typhoon in Aomori prefecture blew ripened apples off trees, *causing* losses of Y58.4bn.

And these are not young, resilient families able easily to absorb blows. Tohoku's farmers are ageing rapidly, with 39 per cent of the workforce over 60, compared with 15 per cent over 60 in 1975.

Tohoku farmers are also far less commercialised than farmers elsewhere. The dependence on rice for income declined from 55 per cent in 1975 to 45 per cent in 1990 – but nationwide the average is 27.4 per cent of the value of farm output.

In some senses, Tohoku is simply behind the rest of the nation. Farmers in the west of Japan were quicker to reduce dependence on farm income, because factory work was available practically on their doorstep.

Yet because of the slowness to change, Tohoku farmers are that much more vulnerable to the vagaries of not just the weather, but of government farm policy, particularly should the government give in to international pressure and open Japan to rice imports, which are currently banned.

JA is waving the banner to keep trade barriers high, and the farmers strongly support this. Yet beneath an uncompromising exterior, many farmers have grown increasingly cynical about government policy, and are quietly resigned to seeing the market opened.

Mr Takeshi Kuroda, a 46-year-old rice farmer in Akita, expects his business to decline sharply when the market is opened. Yet this, he believes, will eventually open opportunities for him to expand the size of his farmland from the current 6.5ha, to increase the efficiency of his operation and compete with imports on the basis of quality.

"I can lower my production costs, and Japanese people like Japanese rice best," he reasons.

Mr Koichi Yamazaki, director of the *Tohoku Agriculture* Bureau (the local branch of the agriculture ministry), doubts whether Tohoku farmers could every match US farmers in efficiency. But he does foresee a day eventually when farm *holdings would be consolidated* to 30ha, allowing Japanese farmers to match European efficiency.

But, he warns: "It will be 10 to 20 years before the age structure is stabilised."

The process of social change in the countryside in the meantime promises to be painful, as old people work the land long after they should retire, and resist to the bitter end selling their family heritage.

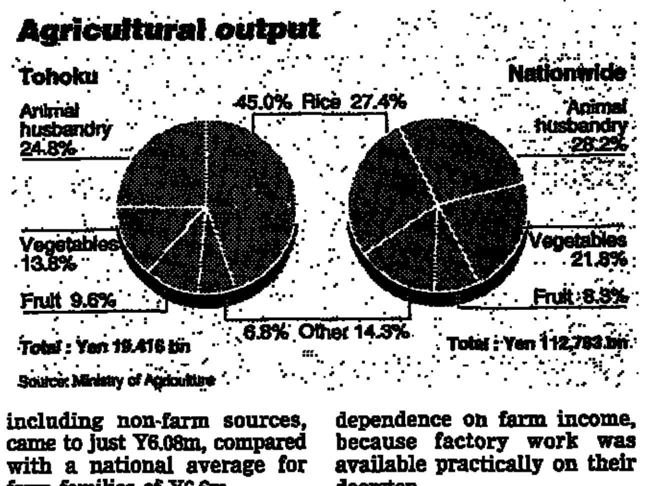
Mr Yamazaki worries that liberalising the rice market prematurely would accelerate the process of change, and cause even greater pain.

Mr Yamazaki is none the less optimistic that a younger generation of more commercially-minded farmers will eventually go into the business. The completion of the Tohoku Expressway in the last decade has cut by about two-thirds, to eight hours, the time needed to truck vegetables from Aomori to Tokyo. They can now be shipped overnight to Tokyo's wholesale markets, thus vastly broadening the market for perishable cash crops.

Mr Yamazaki's office is helping about 300 young people a year to enter farming, by finding available land.

Tohoku agriculture is facing a painful and unavoidable restructuring, but it also plainly has a future.

Agricultural output



Source: Ministry of Agriculture

Development of tourism is meeting resistance on ecological grounds

Residents rise to the eagle

ALMOST EXACTLY two years ago, the residents of Tazawako, a town in the mountains of Akita prefecture, were called to a meeting by the town mayor.

A *plan was presented by the* prefectural authorities and by JR East railway. JR East was to purchase land from the town's people and build a resort with hotels and lodges, ski slopes, an 18-hole golf *course and a horse-riding* course. The project would help invigorate the local economy, they were told.

Mr Takeo Chiba, a resident of the town who runs a small catering business, attended the *meeting and, with his* neighbours, asked a lot of questions: how would the development affect the town's drinking water supply, or irrigation water for its rice farmers? What would happen to the runoff of fertilisers and poisonous weed-killers applied to the golf course? What would happen to the animals, especially the nesting grounds for the golden eagle, an endangered species?

"JR came to explain, but they couldn't answer our questions," says Mr Chiba.

Today the project, part of a grand scheme to develop the area, is on ice, pending completion of a three-year study of the habitat of the golden eagle. Mr Chiba has formed an organisation, which 81 of the town's 120 families have joined, and he is confident they can defeat the project.

The experience of Tazawako is in many ways a microcosm of the difficulties surrounding the implementation of Japan's resort development promotion law, which was enacted in 1987. Under the terms of the law, each prefecture has selected one *geographic area* for development, with *multiple* resorts projects totaling at least Y100bn (£419m) in value. Then the government helps to foot the bill with subsidised financing.

The aims of the law are laud*able enough: to promote* local economic development, and to provide much-needed leisure facilities for Japan's overworked people. Yet, according to a recent survey by the Yomiuri Shimbun, projects in over half of Japan's prefectures are in trouble because of serious local opposition, sometimes on ecological grounds, or economic difficulties, or both.

According to Mr Zeizo Kokubo, a consultant at the Japan Travel Bureau, the large amount of money involved encouraged many prefectures to propose unrealistic, grandiose projects, without conducting needed preliminary studies.

JTB, for example, was called in after a plan had been proposed in Yamagata Prefecture, and was asked to produce a study favourable for a project in the areas of the ski resort at Zao mountain. Part of the plan, however, has been halted by Yamagata City, because cutting more trees in the mountains would threaten the city's water supply.

Mr Kokubo says the transport infrastructure is also insufficient to support the project, and the financing ability of the companies involved too weak. Indeed, he suspects that some local companies join the projects to speculate in land, and have no real intent to *develop and manage a resort.*

Mr Kokubo blames, in part, the arbitrary manner in which resort areas are selected – one per prefecture, although plans proposed by some local govern*ments* do have a great deal of merit. He says, for example, that projects proposed by Miyagi prefecture, in the Kurikoma-Funagata area, which involve the usual combination of golf course and ski area, are more realistic in part because Miyagi has a more highly developed transport infrastructure.

Indeed, for the less developed, more remote areas of Tohoku, including Akita, Aomori and Iwate, ease of transport from the Tokyo area can be what makes or breaks a big project. One of Japan's largest and most elaborate ski resorts, Appi, in Iwate prefecture, has been a great commercial success because it lies a short distance from the last stop on the fast Shinkansen "Bullet" train at Morioka. Appi was able to attract spring weekend skiers as late as early May, long after resorts in central Japan had closed down.

Mr Kiyoei Kobayashi, deputy director general of planning at Aomori prefecture, is for this reason longing for the completion of the Shinkansen to Aomori. Although construction has started, the line may not be finished until the turn of the century. Mr Kobayashi says that, after the line to Morioka in Iwate was finished in 1983, resort and hotel investment in Iwate blossomed and tourist arrivals doubled. During the same period, tourist arrivals in Aomori rose by only 50 per cent.

Apart from the more grandiose golf-ski-hot springs trios under planning, many more modest projects are under *development that may be more* appropriate to local area needs, providing facilities for lower-cost, longer stay holidays.

Mr Masao Hashimoto, head of Akita prefecture's resort promotion bureau, boasts that next year Akita *will open one* of Japan's highest quality car camp facilities. Given the enormous increase in sales of recreational vehicles in Japan, the project looks almost guaranteed to be a success.

Likewise, Iwate, Akita and Aomori are all building villages of cottages in scenic areas, with the aim of attracting families.

What Tohoku has in abundance still is relatively undeveloped mountains and lakes of great natural beauty that, if exploited sensibly, could be a boon the local economy. People such as Mr Chiba, of Tazawako, are not opposed to development *per se*, but are against *developments* that will change the character of their homes, and possibly threaten the environmental balance.

He says: "The fact that the golden eagles live here means that this area is environmentally very *healthy*. We want to preserve this."

TOHOKU 3

Shopping arcades are a feature of the new Sendai — Steven Butler

Sendai is the region's hub and an aspiring centre of technology

Academia's opportunity

PROFESSOR Jun-ichi Nishizawa, president of Tohoku University, is a famous man in Sendai and is also something of a symbol of the aspirations of this northern city, which serves as the administrative and economic centre of the Tohoku region.

Prof Nishizawa founded the Semiconductor Research Institute in Sendai, and conducted pioneering work on the growth of gallium arsenide crystals, which are used by the electronics industry to make advanced semiconductor devices.

While the use of innovative technology developed on the campus in private industry may be an ordinary affair in the UK or the US, it is decidedly unusual in Japan, where academic research is vastly underfunded, where genuinely creative scientific discoveries are rare, and where Ministry of Education rules forbid professors to enter into private contracts with industry.

It is one of the missions of Prof Nishizawa, a Sendai native whose father also was on the Tohoku University faculty, to break down the barriers between the academy and industry, to encourage Sendai's development into a regional information centre, and to foster the development of new industries.

It is a tall order, especially given the arcane government rules that seem designed to make academic work as detached from the real world and irrelevant as possible. But if any city in Japan has a chance to make this dream come true, it is probably Sendai. It has some of the basic ingredients that have led to the growth of technology centres in the west: an excellent university and a pleasant environment, including nearby mountains and the sea.

> Sendai, an ancient city, was bombed flat during the war. But the city that emerged from the ashes is surprisingly attractive

Sendai is an ancient city that was bombed flat during the war. But the city that emerged from the ashes is surprisingly attractive by comparison with the monsters that have grown up in central and western Japan. It could well serve as a model for urban planning in Japan, were it not already too late for most cities.

Sendai has wide boulevards lined with tall shady trees. It has covered shopping arcades closed to traffic. If it is not architecturally inspiring, at least it is not as screamingly ugly as much of the urban sprawl in Japan. Indeed, much of the recent construction is pleasant in appearance. In spite of its population of about 930,000, Sendai is one of the few cities in Japan where it is possible to walk comfortably, without having to fight either crowds or traffic.

It was fortunate, although perhaps only in retrospect, to have the luxury of growing at a slower pace than the cities of the more heavily industrialised centre. The mayor, Mr Toru Ishii, is still able to contemplate building a series of concentric ring-roads around the city, to draw future development away from the centre into satellites. Carrying out these plans was made vastly easier when, in 1989, Sendai was merged with several smaller neighbouring cities and designated as a major urban centre, giving the city government greater administrative powers.

Sendai still has a long way to go before it attains a critical mass as a leading technology centre; none the less, it is beginning to attract the sort of industries that will help this to happen.

Motorola, the the US electronics group, for example, opened a semiconductor assembly facility on the outskirts of the city last year, and is planning eventually to install facilities to fabricate advanced semiconductor devices. One attraction was obviously the Shinkansen express train umbilical cord to Tokyo, less than a two-hour ride away. But Motorola's Sendai plant is likely to grow increasingly independent of Tokyo.

Motorola was attracted to Sendai partly by the Ultra Clean Technology Laboratory, connected to Tohoku University. The laboratory is developing clean room devices that Motorola hopes eventually to use, and the company has seconded one of its engineers to the laboratory full time to help in the work.

Sendai airport has recently begun international flights to Seoul and Singapore. Motorola is now re-routing some of its international shipments to Asia away from congested Narita airport, which serves Tokyo, to Sendai. It will increase these shipments after the airport has increased its customs and freight handling capacity. The airport has been authorised to lengthen its runway to 3,000 metres, which will open the possibility of direct flights to Europe and the US.

Takashi Kitagawa sees new advantages at the airport

In that case, Mr Takashi Kitagawa, director and general manager of Motorola's semiconductor manufacturing, envisages US employees arriving in Sendai and attending meetings on the same day, instead of making the tiresome journey through Narita.

Perhaps the underlying ambition of Prof Nishizawa and mayor Ishii would be to cut the umbilical cord to Tokyo altogether. This would plainly be unrealistic, and in fact Mayor Ishii is hoping that Sendai may one day take over selected government functions now located in Tokyo. Still, the goal of making Sendai's development less dependent on Tokyo, and establishing itself as a regional centre with strong direct ties to the outside world, looks achievable.

Interview: Toru Ishii, mayor of Sendai

A home for research institutes

MR TORU Ishii, Mayor of Sendai, came to office eight years ago, just after the high-speed Shinkansen train was built, connecting Sendai to Tokyo.

The line opened the way for rapid growth of the city. Mr Ishii, a native of Hokkaido, came to Sendai after a career in the ministry of home affairs. As a graduate of Tokyo University law school, he is part of an elite that has played a crucial role in the reconstruction of Japan. The following are excepts from Steven Butler's interview with Mr Ishii.

Q: Sendai has made big efforts to attract high-technology investments to the region. How successful do you think it is?

A: The industrial complex focusing on high-technology industry is located in the very north of Sendai city, Izumi-ku. There, such companies as Tohoku Semiconductor and another five or six companies are operating. However, as the land price within the Sendai city is comparatively high, the surrounding area of the city has become a focus for industry. In future, this kind of investment is expected in the suburbs of Sendai City, rather than in the centre of the city. Related to this is a Tohoku Intelligent Cosmos idea, which is backed by the national universities of Tohoku region, together with private companies and local government bodies. We are trying to establish research institutes for development of new industrial technology.

Toru Ishii: a previous career at the ministry of home affairs — Steven Butler

In Sendai, we already have five institutes. We are making efforts to establish new institutes or to invite national institutes from other region to Sendai. And in future we would like to invite institutes and personnel from overseas also. Through the promotion of activities by such institutes, we can expect the relocation to Tohoku of various industries from new fields.

Q: How long do you think you may have to wait for commercial results?

A: Perhaps we will have to wait 10 or 20 years.

Q: What do you think are Sendai's main attractions for investors?

A: Primarily, there is comparatively abundant technological know-how at Tohoku University and elsewhere. We have a number of educational facilities and universities here. As a result, we have technical specialists and human resources.

In addition, transportation is becoming more convenient. We are expanding Sendai port and airport. The runway of Sendai airport will be extended to 2,500 metres within this year, and to 3,000m within the next five years.

As for the Sendai port, we have started the operations to construct an offshore pier at the existing port, so that we can accept overseas ships.

Now, both the Shinkansen [express train] and Tohoku Expressway extend to the region. We are constructing another expressway along the seashore. Thus, the transportation infrastructure is being developed gradually. So I think the possibility of advanced technology industry moving into the region is very high.

We do not necessarily expect new industries to establish factories in Sendai, but in the whole Tohoku region. Then, for sure, Sendai wil come to play a central role.

Q: What accounts for the recent industrial growth in Sendai?

A: Development of the existing industrial area of Japan, located in Tokyo and to the west, has almost come to an end, and the region is excessively crowded. So the conditions for the establishment of new factories are not very good. Compared with this, Tohoku region is more advantageous from the viewpoint of land availability, land price and labour supply. Until recent years, transportation was a key constraint on the development. However, with the gradual development of the basic infrastructure, such as the Shinkansen, expressway networks, airport and ports, there appears more possibility for companies to establish factories in the region.

[But] we do not want what happened in Tokyo and Osaka to happen in Sendai or the Tohoku region. What we aim is to have more space and comfort. In a local city like Sendai, we do not expect new factories within the city except where we established an industrial complex many years ago. We want the new industries to be located in the whole Tohoku region in a well-balanced way.

In Sendai, we want to develop the infrastructure in order to attract research institutes or universities rather than to attract factories. Of course, we are not placing restrictions on factories, but factories can be established in places where conditions are far better.

Q: Is Sendai likely to become a second capital in Japan?

A: I think the sole concentration of capital functions in Tokyo must be changed. If we could disperse various functions of Tokyo to local places it would be welcomed. Sendai is a candidate as a second capital, or rather as a city to receive part of Tokyo's capital function. However, I don't want Sendai to be a city like Tokyo.

It is quite unrealistic and difficult to discuss [moving] the diet or the government to other local cities. But ideas to move schools out of Tokyo or to transfer research institutes and factories are much more realistic.

Q: What are the biggest issues facing Sendai?

A: One is the establishment of a comprehensive transportation system. That is the primary thing. Three years ago, Sendai completed its subway network, which goes from north to south of the city, and now we are planning to have a subway network from east to west.

The second thing is the [plan] to construct five orbital roads. In most of the cities of Japan, roads usually radiate from the centre of the city. As a result, it leads to the concentration of people and functions in the centre of the city. In connection with the orbital roads, we are planning subcities in four different directions, where orbital roads and radiated roads meet. One of the examples is the new business centre in Izumi-ku, north of Sendai, from where the subway will start operation very soon.

As the population of Sendai is growing rapidly, we are putting emphasis on the establishment of cultural facilities. We are discussing whether to construct an art museum, and are researching whether to establish a large concert hall. There is a general museum and a new science museum for children, and cultural centres for youth already. I think the numbers of libraries are not enough, so we are planning to have one library for each ward. We are also making efforts to establish sports facilities and are promoting a plan to construct a domed stadium so people can enjoy sports in rain or snow.

Rokkasho: **Neil Weinberg** visits a village divided by nuclear strategy

Anxiety over power project

JAPANESE CHILDREN are taught from an early age that theirs is a country without natural resources, which must make painful sacrifices to compensate. This is also the thinking behind a drive by the nation's electric power companies to build some of the world's most ambitious and controversial nuclear power facilities in a corner of Aomori prefecture.

The Y1,260bn (£5.3bn) programme is located next to the village of Rokkasho, near the north-east tip of Japan's main island of Honshu.

Given Tohoku's sparse population, the Rokkasho project is having a profound economic impact, creating jobs, luring industry and stimulating demand for services.

But environmental dangers have also caused severe anxiety among residents, and spawned the region's largest political controversy of the decade. The ruling Liberal Democrats came out in force to secure victory in last year's Aomori prefecture gubernatorial race, after a series of embarrassing election defeats by Rokkasho opponents.

On the positive side, construction alone will offer work to between 7,700 and 8,700 people, and the nuclear facilities will employ 2,500 people when fully operative, according to the Federation of Electric Power Companies (FEPC). It says the project has also attracted five companies to the region, and that others will follow, including such big names as Sumitomo Electric Industries, Mitsubishi Cable Industries and Hitachi Cable. About 1,000 jobs already have been created, and another 3,000 will follow, the FEPC estimates.

Mr Masaya Kitamura, governor of Aomori, terms the fuel cycle the prefecture's most important undertaking. Over the 10 years required to build the facility, Y730bn will flow from public works to prefectural companies, he believes, while the creation of jobs will help relieve the constituency's main problem.

The project has proceeded at what is lightning speed for the nuclear power industry, since an 1984 agreement between the FEPC, Aomori prefecture and Rokkasho village to go ahead with a uranium-enrichment factory, an underground storage site for low-level radioactive waste and a plutonium reprocessing facility.

Japan Nuclear Fuel Industries (JNFI), which was set up by the power industry to help operate the site, reached a landmark in April with the official start-up of the Y250bn uranium-reprocessing operation. Eventually it is expected to supply about 30 per cent of Japan's nuclear fuel. The Y160bn low-level radioactive waste site is scheduled to begin receiving deliveries by the end of the year from the nation's grid of 42 nuclear reactors.

Ground-breaking for the Y850bn plutonium reprocessing plant, the greatest focus of controversy, has been delayed for further safety studies. It is likely to go ahead late this year or early next, with completion around the turn of the century, says Mr Ryuji Mitsui, of JNFI.

The electric power industry aims to turn Rokkasho into the Mecca of Japan's so-called nuclear fuel cycle, to achieve long-sought national energy independence. Fast-breeder reactors, which theoretically are net producers of plutonium, are the final critical link in the fuel-cycle, although other leading nuclear nations have largely abandoned them as too expensive and dangerous.

"We want people to understand the [electric power] industry's opinion that a domestic source of nuclear fuel is necessary," says Mr Terou Tokuine, of the FEPC's nuclear fuel cycle site development department.

What most worries Aomori people, apart from the presence of plutonium, the most toxic substance on earth, are plans to begin accepting high-level nuclear waste, about 1997, from Japanese fuel reprocessed in the UK and France. Critics say the risks of turning Rokkasho into a nuclear laboratory and dump for the nation's radioactive garbage outweigh the economic advantages, while most of the benefits are going to interests outside Tohoku, such as large companies involved in the project.

Seven years into development of the nuclear site, Rokkasho village remains a sleepy scattering of houses, stores and a town hall for the 11,000 people who mostly make their living from farming and fishing.

The mayor, Mr Hiroshi Tsuchida, who says he always supported the nuclear facility, concedes that the economic gains have been patchy. Families of those involved in construction will continue to fare well for the next decade, although the lives of other residents has have changed little.

"The biggest worry now are the plans to introduce high-level radioactive material," Mr Tsuchida adds.

The nuclear project is causing concern well beyond Rokkasho in a nation where a nuclear allergy, resulting from wartime experience, and a pacifist constitution are inconsistent with plans that could leave Japan with the world's largest plutonium stockpile by early next century.

Mr Koji Asaishi, an Aomori lawyer, says he became an active opponent of the Rokkasho project because of plans to introduce plutonium. "I don't say don't use nuclear energy, but they must first solve the downstream problem of disposal," he says.

According to Mr Asaishi, internal power industry documents leaked to Rokkasho opponents also suggest that a major earthquake could result in disaster. He adds that plans to store high-level radioactive material at Rokkasho violate the original agreement, which gave short shrift to the issue and said that any such storage would be "temporary."

Mr Asaishi says opposition is proceeding on three fronts: efforts to suspend construction until further safety studies are completed; organisation of citizens' groups against the facility; and opposition among political leaders.

"If we don't continue, they will go on with even more dangerous developments," he says. "The real problem is that Aomori citizens and the people of Rokkasho can't check whether the operation is really safe or if the facilities are necessary."

Ironically, opposition within the nuclear power industry itself may prove the anti-Rokkasho group's most potent ally. Doubts have arisen about the expensive and complex fuel cycle initiative, given that the industry must complete two 1,000MW light-water reactors annually over the next two decades just to achieve existing goals.

Mr Takao Ishiwatari, director general of the Power Reactor and Nuclear Fuel Development Corporation, suggested recently that safety and practicality may require rethinking of fuel cycle plans.

For the Rokkasho area and greater Tohoku, failure to go ahead with the multi-billion dollar plutonium facility could have far-reaching economic implications. But if it is built, and then rendered useless by political or other considerations, it could contaminate Rokkasho with an image as one of history's white elephants.

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

FRANCE (continued)

GERMANY

GERMANY (continued)

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWEDEN (continued)

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

SINGAPORE

MALAYSIA

Price data supplied by Telekurs.

CANADA

TORONTO

4:00 pm prices May 25

Quotations in cents unless marked $

MONTREAL

4:00 pm prices May 25

INDICES

NEW YORK

DOW JONES	May 22	May 21	May 20	May 19	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3386.77	3378.71	3393.84	3397.99	3397.99 (19/5)	3172.41 (2/1)	3397.99 (19/5/92)	41.22 (2/7/32)
Home Bonds	100.16	100.03	100.15	100.17	100.17 (19/5)	98.41 (20/3)	100.17 (19/5/92)	54.99 (1/10/81)
Transport	1376.49	1372.76	1373.32	1373.13	1467.68 (20/2)	1301.57 (8/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	212.88	211.94	213.45	213.95	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3408.48 (3402.87) Low 3364.07 (3354.80)

STANDARD AND POOR'S

	May 22	May 21	May 20	May 19	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	414.02	412.60	415.39	416.37	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	489.49	487.31	490.24	491.77	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	35.33	35.30	35.65	35.50	35.80 (13/5)	32.40 (8/4)	35.80 (13/5/92)	8.64 (1/10/74)
NYSE Composite	228.20	227.47	228.94	229.32	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	392.46	391.63	392.15	392.37	418.99 (12/2)	380.90 (8/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	580.30	579.10	580.29	578.05	644.92 (12/2)	560.33 (28/4)	644.92 (12/2/92)	54.87 (31/10/72)

	May 22	May 15	May 8	year ago (approx.)
Dow Industrial Div. Yield	2.92	2.79	2.77	3.11

	May 20	May 13	May 6	year ago (approx.)
S & P Industrial div. yield	2.63	2.62	2.61	2.79
S & P Indl. P/E ratio	28.92	29.19	29.29	18.89

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Fed Dept Sto	4,177,800	12⅝	+ ⅜
Global Mar	2,841,000	2	+ ⅛
Walt Disney	2,791,100	38	- ½
Gen Motors	2,360,400	39⅛	+ ⅛
Philip Morris	1,764,400	76	- ⅞
Storage Tec	1,529,200	33½	- 3¾
Bristol Myers	1,485,600	72	- 1
Baker Hugh	1,353,100	22⅝	+ 1⅛
Chrysler	1,323,700	17⅞	- ⅛
Limited	1,271,300	20	- ⅛

TRADING ACTIVITY

† Volume (Millions)	May 22	May 21	May 20
New York SE	146.640	182.190	198.170
Amex	11.113	11.646	12.109
NASDAQ	124.852	175.859	160.230
NYSE			
Issues Traded	2,228	2,246	2,259
Rises	970	572	823
Falls	645	1,116	861
Unchanged	613	558	575
New Highs	48	38	66
New Lows	20	28	15

CANADA

TORONTO	May 25	May 22	May 21	May 20	1992 HIGH	1992 LOW
Metals & Minerals	3018.30	3027.60	3030.43	3061.98	3238.87 (16/1)	2828.26 (8/4)
Composite	3370.30	3372.15	3358.05	3381.21	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1771.64	1772.80	1764.66	1776.68	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 25	May 22	May 21	May 20	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1684.1	1684.5	1682.6	1682.0	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	713.3	712.9	708.7	704.7	717.20 (25/3)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	409.51	407.86	407.12	408.77	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	984.79	978.32	975.51	981.57	1099.43 (24/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1215.27	1215.78	1213.86	1224.19	1234.72 (3/3)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	336.80	336.35	332.55	333.71	365.29 (15/1)	326.35 (9/4)
FINLAND						
HEX General (28/12/90)	842.7	844.2	841.9	841.0	935.90 (24/2)	778.50 (9/4)
FRANCE						
CAC General (31/12/82)	551.69	545.91	546.67	547.24	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	2046.25	2045.12	2016.83	2030.84	2077.49 (11/5)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	725.01	722.03	719.29	717.40	725.01 (25/5)	643.26 (8/1)
Commerzbank (1/12/53)	2043.8	2035.2	2027.1	2022.2	2043.80 (25/5)	1813.80 (8/1)
DAX (30/12/87)	1811.57	1802.96	1785.48	1787.50	1811.57 (25/5)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	5993.11	5859.68	5865.61	5753.76	5993.11 (25/5)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1398.40	1403.97	1407.69	1412.73	1469.57 (17/1)	1346.61 (3/4)
ITALY						
Banca Com. Ital. (1972)	495.69	493.78	488.41	475.01	551.99 (6/2)	472.72 (15/5)
MIB General (2/1/92)	978.0	975.0	965.0	958.0	1086.00 (5/2)	932.00 (15/5)
JAPAN						
Nikkei (16/5/49)	18555.00	18221.08	18691.29	18674.93	23801.18 (6/1)	16598.15 (9/4)
Tokyo SE (Topix) (4/1/68)	1383.70	1371.70	1391.32	1394.51	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	2055.59	2060.16	2073.14	2079.24	2459.85 (6/1)	1910.56 (9/4)
MALAYSIA						
KLSE Composite (4/4/86)	591.93	592.48	592.86	594.09	619.86 (20/3)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	312.2	310.2	309.2	309.2	312.20 (25/5)	274.00 (8/1)
CBS All Shr (End 1983)	213.8	212.4	211.8	211.7	213.80 (25/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	760.97	760.94	756.59	764.95	772.74 (18/5)	667.88 (25/3)
PHILIPPINES						
Manila Comp (2/1/85)	1432.84	1379.69	1376.80	1358.20	1432.84 (25/5)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	395.34	394.46	394.85	395.45	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1121.0§	1113.0	1113.0	1121.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4635.0§	4604.0	4601.0	4563.0	4635.00 (25/5)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	571.39	582.88	573.83	579.91	691.48 (8/2)	569.65 (10/4)
SPAIN						
Madrid SE (30/12/85)	258.70	259.76	260.45	259.88	266.51 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	997.8	1001.4	1001.1	999.3	1014.50 (11/5)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	865.6	871.3	867.0	870.4	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	669.0	671.2	668.9	670.5	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4634.33	4623.94	4563.67	4560.00	5391.63 (30/1)	4268.17 (11/5)
THAILAND						
Bangkok SET (30/4/75)	742.42	718.51	738.67	677.37	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	511.0*	508.9	508.9	512.6	542.30 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	976.55	975.04	969.15	969.88	976.55 (25/5)	870.31 (2/1)

**Saturday May 23: Taiwan Weighted Price: 4637.59, Korea Comp Ex. 575.87.
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 25 May 1992

	Stocks Traded	Closing Prices	Change on day
Tsugami	5.5m	755	+15
Morinaga	4.1m	852	+17
Nippon Exp	4.0m	885	+24
Nippon Min	3.7m	488	+19
Kawasaki Kis	3.1m	395	+14
NPN Formula	2.4m	575	+14
Mitsub Kakok	2.3m	1,130	
Suzuki Motor	2.0m	700	+9
Clarion	2.0m	700	+22
Okamoto	1.9m	1,350	+10

EUROPE

Allianz lifts Germany in dull European trade

THE ABSENCE of UK and US investors was expected to quieten bourses yesterday, and in most cases this happened. However, an outstanding UK order for Allianz, the German insurer, was credited with bringing the Frankfurt market round from an early loss to close at a new 21-month high, *writes Our Markets Staff.*

FRANKFURT slid early in session, but selling pressure fell away as the Allianz order took the insurer's shares up DM30.50, dragging other blue chips and the 30-share DAX index up along with it.

After a 2.98 rise to 725.01 in the FAZ index at midsession, the DAX closed 8.61 better at 1,811.57. Mr Hans-Peter Wodniok of James Capel in Frankfurt reckoned that without the foreign holidays, the German market would have maintained a faster climb.

As it was, a number of internationals were held back, Deutsche Bank rising by only DM1.40 to DM715 – going ex-dividend last Friday did not help – Daimler by just DM1 to DM313 and the big three chemicals stocks all posting small declines.

On the credit side, Commerzbank added DM4.60 to DM273.30 on favourable comment in a German Sunday newspaper, Volkswagen came back from profit-taking to rise DM4.60 to DM408.60 and Continental, the tyremaker, put on DM4.80 to DM277.50 on a magazine report that the state of Lower Saxony had put together a friendly buying team to take over the interests of Pirelli SpA, Conti's former suitor, and its friends.

MILAN was politically motivated all day, nervous in the morning after the murder at the weekend of the Mafia-fighting judge, Mr Giovanni Falcone, but lifted by a late rally on signs of a breakthrough in Italy's political impassé over the choice of a new president.

The MIB index closed 0.3 per cent higher at 978. Holding companies took the share price limelight, Cir rising L34 to L1,789, Ferruzzi Finanziaria by L49 to L1,821 and Ifi by L415 to L13,425.

PARIS finished barely changed in dull trade. The CAC-40 index gained 1.13 to 2,046.25 in turnover of some FFr1.3bn. Oil stocks were one of the day's features following the Opec agreement on Friday. Elf rose FFr2.90 to FFr396.90 while Total added FFr2.50 to FFr262.50.

LVMH rose FFr7 to FFr4,195 after noting that although recovery had been tardy in coming to Europe the slowdown in Japan, an important market for the luxury goods group, was likely to be of limited duration.

ZURICH ended a touch firmer, with the all-share SPI index rising 4.5 to 1,203.0. Certificates in the pharmaceutical group, Roche, topped the active list as they rose SFr50 to SFr3,410.

AMSTERDAM saw limited interest as the CBS Tendency index rose 0.6 to 131.0. There was scattered buying of some blue chip stocks including Royal Dutch, which rose Fl 1.90 to Fl 154.40 following the Opec outcome last week. Elsevier's recent strong rally continued, up Fl 1.40 at Fl 115.20. Buehrmann Tetterode was also active on buy notes, closing up Fl 1.00 at Fl 53.50.

BRUSSELS ended slightly lower in thin trading. The Bel-20 Index shed 0.41 to 1,215.27 in turnover of BFr644m. Electrabel eased BFr25 to BFr4,600 in volume of 42,850 shares while Delhaize lost BFr50 to BFr9,000. Elsewhere, Petrofina fell BFr25 to BFr10,850.

COPENHAGEN was dominated by Hafnia which announced a three-for-two rights issue at DKr105 a share. The insurer's B shares lost DKr9 to DKr160 in low volume. The all share index closed up 0.45 to 336.80.

ISTANBUL closed at a six-month low on renewed concern about a fresh round of interest rate rises. The index shed 176.44 or more than 5 per cent to 3,310.29 in turnover of TL115bn from TL128bn.

VIENNA closed firmer in light volume. The ATX index gained 6.47 to 984.79. OMV rose Sch6 to Sch898 after reporting better-than-expected first quarter results.

MADRID's general index ended down 1.06 at 258.70.

Contrasts in two continents

THERE were marked contrasts in former colonial markets in two continents.

In **SAO PAULO**, Brazilian shares fell 7.4 per cent by midday, reacting to growing scandal over a feud between President Fernando Collor de Mello and his brother Pedro.

The key Bovespa index dropped 1,890 to 23,631 after President Collor announced that he would sue his younger brother, Pedro, for charges made against him in a magazine over the weekend.

In South Africa, **JOHANNESBURG**'s industrial index rose 31 to a new high of 4,635 on keen demand for blue chip stocks. Lifted by the gains in leading shares, mainly industrials and mining financial Anglos, the overall index rose 26 to 3,709 and the gold index was up 8 at 1,121.

Anglos led the mining financial sector with a gain of R2.50 or 2 per cent to R121.50. De Beers closed up 60 cents at R91.85.

TORONTO remained flat due to market holidays in the US and the UK. The TSE 300 index closed down 1.84 points at 3,370.31, according to preliminary figures. Declines led advances 243 to334 in volume of 18.8 shares valued at C$142.4m.

Nine out of 14 stock groups closed lower led by real estate which was down 2 per cent.

Manila soars on renewal of confidence

The market has hit record levels following the peaceful elections **writes Jose Galang**

The Philippines has been struck by a renewal of economic optimism following the recent, largely peaceful presidential election campaign.

Hopes of economic recovery have boosted sentiment among investors and led to the stock market recording consecutive record levels over the past few days. Yesterday the composite index closed up 3.8 per cent at an all-time high of 1,432.

Investor optimism was encouraged by the fact the election took place without scenes of violence or widespread electoral fraud which had characterised previous polls, some analysts said.

Now, after several years of constant coup threats, the prospect of a peaceful transfer of power has encouraged the business community to dust off investment plans which had been shelved.

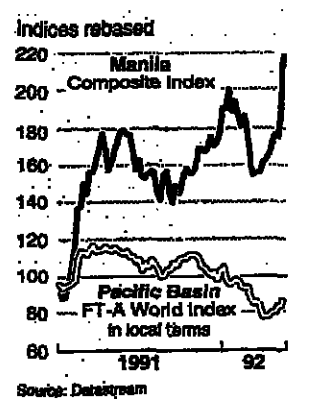
The new president will be known in two or three weeks after an official counting of the votes by Congress. However, an unofficial tabulation shows Mr Fidel Ramos, the administration-backed candidate, leading by a margin of more than 1m votes.

The general sentiment in the business community is that Mr Ramos, a former defence secretary, is capable to providing the firm leadership that will inject much-needed stability into government. He is expected to follow mainly pro-business policy directions.

Independent economists are projecting that the economy could grow by up to 3 per cent this year, after zero growth last year. Interest rates, already down from early-1991 highs, are seen declining further, a result mainly of tight control on government spending during the election campaign period.

Yields on Treasury bills now hover around 15 per cent, compared to 20 per cent in January. The exchange rate continues to be stable, in spite of calls from exporters for the monetary authorities to allow a slight drop.

These factors have lured new



Source: Datastream

money into the stock market. In the week following the election, turnover on the Manila and Makati exchanges averaged 310m pesos a day compared with an average daily turnover of 155m pesos a day throughout 1991. Brokers say that the bulk of the trading is accounted for by local investors. This is still in step with trends in previous years when foreign funds were only attracted after seeing turnover expand with local interest.

Anscor Hagedorn Securities told its clients last week that the election could lead to "some funds being shifted from the region and into the Philippines". The brokerage house said that this was due to the recent political turmoil in Thailand and the "political transition" in Indonesia where elections are due next month.

The best performer among the most active issues since election day has been Philippine Long Distance Telephone, which has shown considerable strength in New York where it is also listed. PLDT is currently trading at an all-time high of 1,120 pesos, for a ratio of 10.2 times its projected 1992 earnings. Its prevailing price also represents an increase of 33 per cent from its level at the start of the year. Analysts forecast PLDT profits to rise by only about 5-6 per cent in the current year, compared to 48 per cent in 1991.

The big capital requirements of its expansion programme could lead to the entry of foreign equity from American Telephone and Telegraph, which has been rumoured since last year.

Some of the traditional market favourites, such as Ayala Corporation and its property subsidiary Ayala Land, San Miguel Corp. and Philippine National Bank, have posted "modest" increases so far. This has prompted analysts to tick them off as top candidates for a new market takeoff.

Meanwhile, the proposed merger of the Manila and Makati stock exchanges continues. The Securities and Exchange Commission has been trying to forge a merger of the two exchanges since 1990 but little progress has been made owing to differences in culture between the institutions.

A merger, nonetheless, is widely viewed as a major step in promoting further development of the local capital market. Foreign financial assistance, particularly from the Asian Development Bank, is being made available for the unification if it goes ahead.

ASIA PACIFIC

Hong Kong and Bangkok outpace Nikkei rise

Tokyo

SHARE prices were supported by index-linked and small-lot buying on the back of a stronger yen and firm bond prices, and the Nikkei average gained 1.8 per cent, *writes Emiko Terazono in Tokyo.*

The index closed up 334.00 at the day's high of 18,555.00, remaining in positive territory after opening at the day's low of 18,221.70, and surging in the late afternoon on arbitrage-related buying.

Volume fell to 180m shares from 242m. Most large-lot investors remained sidelined due to corporate earnings announcements, and dealers, who have been active recently, refrained from trading in the final week of May trading.

Advances led declines by 566 to 389, with 178 unchanged. The Topix index of all first section stocks rose 12 to 1,383.70.

The absence of foreign investors due to the long weekend contributed to the low volume.

Mr Masami Okuma, at UBS Phillips & Drew, said the current spate of personnel changes at Japanese financial institutions and companies was another factor in the low turnover equation.

Speculative favourites dominated activity. Tsugami, a medium sized machine tool maker, was the most active issue of the day, advancing Y15 to Y755. Morinaga Milk Industry, rose Y17 to Y852.

Bank shares were sought on short covering. Industrial Bank of Japan gained Y10 to Y1,800 and Dai-Ichi Kangyo Bank advanced Y10 to Y1,410.

Transport companies were sought on brisk earnings results. Kawaski Kisen, the shipping company, rose Y14 to Y395 and Nippon Express, the parcel delivery company, gained Y24 to Y665.

Nippon Formula Feed, the farm feed maker, gained Y14 to Y575 as it advanced for the third straight day. Investors have been encouraged by the company's plans to start cultivating the endangered bluefin tuna. Forecasts that the company's pre-tax profits for the current year to March 1993 will rise by 70 per cent also buoyed interest.

Chiyoda, the plant engineering company, rose Y80 to Y1,700 on the company's forecast of a 30 per cent rise in pre-tax profits to Y10bn for the current year to next March. The company is also promoted as a environmental-related stock.

In Osaka, the OSE average gained 65.07 to 20,956.48 in volume of 9m shares. Speculative issues gained amid low volume. Ono Pharmaceutical advanced Y70 to Y6,120.

Roundup

A MONETARY initiative in Hong Kong and political change in Bangkok took these markets, with Manila, ahead faster and more enthusiastically than Tokyo yesterday.

HONG KONG shot up to register its second all-time high in three sessions, boosted by Friday's unexpectedly large interest rate cut and a huge influx of overseas funds.

The Hang Seng index closed 133.43, or 2.2 per cent higher at 5,993.11, breaking the 6,000 barrier in the morning to hit an intraday high of 6,032.10 soon after the opening, but easing back on profit-taking thereafter.

Turnover was also a record, at HK$6.4bn against HK$4.6bn last Friday.

BANGKOK responded enthusiastically to the resignation of Prime Minister Suchinda Kraprayoon, the SET index climbing 23.91, or 3.3 per cent to 742.42 in active turnover of Bt5.98bn.

After the close, an amendment reducing the military's power in Thailand's parliament won initial approval yesterday as legislators began a democratic overhaul of the constitution.

AUSTRALIA traded in a narrow band and in thin turnover, subdued by the UK and US holidays later yesterday. The All Ordinaries index fell 0.4 to 1,684.1 in turnover down from A$214m to A$143m.

NEW ZEALAND, similarly, saw the NZSE-40 index up 2.27 to 1,554.04 in turnover down from NZ$25.7m to NZ$20.9m.

Bank of New Zealand was one of only three stocks to exceed volume of 1m shares as it rose 2 cents to 78 cents in 1.1m. units. BNZ is expected to produce improved results after the close today.

SEOUL's composite index fell 4.37 to 571.40 in lacklustre trading, weakened by doubts about any government initiative to bail out financially troubled investment trust houses.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 24.05.92 · Final Prices for Trading on 26.04.92

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.40	16.87	16.87
[illegible]	[illegible]	[illegible]	[illegible]

[illegible] Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 25.05.92 · Final Prices for Trading on 27.04.92

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.37	16.79	16.79
[illegible]	[illegible]	[illegible]	[illegible]

[illegible] Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 26.05.92 · Final Prices for Trading on 28.04.92

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.25	16.83	16.83
[illegible]	[illegible]	[illegible]	[illegible]

[illegible] Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, May 22, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	54.6982	33.7872	42.279
Albania	(Lek)	90.70	49.9862	30.8765	38.6368
Algeria	(Dinar)	39 0375	21.5141	13.2893	16.6293
Andorra	(Fr Fr)	9 8700	5.4395	3.36	4.2044
	(Sp Peseta)	183.30	101.02	62.4	78.083
Angola	(Kwanza)	995.40	548.581	338.86	424.026
Antigua	(E Carr $)	4.8980	2 6993	1.6674	2.0864
Argentina	(Peso)	1.7945	0.9889	0.6108	0.7644
Aruba	(Florin)	3 2470	1.7894	1.1053	1 3831
Australia	(Aus $)	2 3935	1.319	0 8148	1.0195
Austria	(Schilling)	20.655	11.3833	7.0314	8.7987
Azores	(Port Escudo)	243.75	134.335	82.9787	103.834
Bahamas	(Bahama $)	1.8145	1	0.6177	0.7729
Bahrain	(Dinar)	0.6855	0.3777	0 2333	0.292
Balearic Is	(Sp Peseta)	183.30	101.02	62.4	78.083
Bangladesh	(Taka)	68 82	37.9278	23.428	29.3162
Barbados	(Barb $)	3 6485	2 0107	1.242	1.5542
Belgium	(Belg Fr)	60.40	33.2874	20.5617	25.7294
Belize	(B $)	3.6280	1.9994	1.235	1.5454
Benin	(CFA Fr)	493.50	271.976	168	210.224
Bermuda	(Bermudian $)	1.8145	1	0.6177	0.7729
Bhutan	(Ngultrum)	51 73	28.5092	17.6102	22.0362
Bolivia	(Boliviano)	6.9750	3.844	2.3744	2.9712
Botswana	(Pula)	3 8660	2.1306	1.316	1.6468
Brazil	(Cruzeiro)	4942.85	2724.08	1682.67	2105.58
Brunei	(Brunei $)	2.9615	1.6321	1.0081	1.2615
Bulgaria	(Lev)	32.24	17 7679	10 9753	13.7337
Burkina Faso	(CFA Fr)	493.50	271.976	168	210.224
Burma	(Kyat)	10.9542	6.037	3 729	4.6663
Burundi	(Burundi Fr)	352.75	194.406	120.085	150.266
Cambodia	(Riel)	1269.80	699.807	432.272	540 916
Cameroon	(CFA Fr)	493.50	271 976	168	210.224
Canada	(Canadian $)	2.1690	1.1953	0.7383	0.9239
Canary Is	(Sp Peseta)	183.30	101.02	62.4	78.083
Cp Verde	(CV Escudo)	129.25	71.2317	44	55.0585
Cayman Is	(CI $)	1 5055	0 8297	0.5125	0.6413
Cent.Afr. Rep	(CFA Fr)	493 50	271.976	168	210.224
Chad	(CFA Fr)	493.50	271.976	168	210.224
Chile	(Chilean Peso)	628 90	346 597	214.094	267.902
China	(Renminbi Yuan)	10.0450	5.5359	3.4195	4.279
Colombia	(Col Peso)	1128.25	621.797	384.085	480.618
Comoros	(CFA Fr)	493 50	271.976	168	210.224
Congo (Brazz)	(CFA Fr)	493.50	271.976	168	210.224
Costa Rica	(Colon)	236.95	130.587	80 6638	100 937
Côte d'Ivoire	(CFA Fr)	493.50	271.976	168	210.224
Cuba	(Cuban Peso)	1.3740	0.7572	0.4677	0.5853
Cyprus	(Cyprus £)	0.8290	0 4568	0.2822	0.3531
Czechoslovakia	(Koruna)	52.30c	28 8233	17 8042	22.279
		50.47t	27.8148	17.1812	21.4994
Denmark	(Danish Kroner)	11.3500	6.2551	3.8638	4.8349
Djibouti Rep	(Djib Fr)	315.00	173.602	107 234	134.185
Dominica	(E Carrib $)	4.8980	2 6993	1 6674	2.0864
Dominican Rep	(D Peso)	23.5820	12.9964	8.0279	10.0455
Ecuador	(Sucre)	2456.35o	1353.73	836.204	1046.37
		2625.75a	1447.09	893.872	1118.53
Egypt	(Egyptian £)	6.0750	3.348	2.068	2.5878
El Salvador	(Colon)	14.5210	8.0027	4.9433	6.1857
Equat'l Guinea	(CFA Fr)	493.50	271.976	168	210 224
Ethiopia	(Ethiopian Birr)	3.7075	2.0432	1.2621	1.5793
Falkland Is	(Falk £)	1.00	0.5511	0.3404	0.4259
Faroe Is	(Danish Kroner)	11.3500	6.2551	3.8638	4 8349
Fiji Is	(Fiji $)	2.7030	1 4896	0.9201	1.1514
Finland	(Markka)	7 9730	4.394	2.7142	3.3963
France	(Fr)	9.8700	5 4395	3.36	4.2044
Fr. Cty/Africa	(CFA Fr)	493.50	271 976	168	210.224
Fr. Guiana	(Local Fr)	9.8700	5 4395	3.36	4.2044
Fr. Pacific Is	(CFP Fr)	178.00	98.0986	60 5957	75.8253
Gabon	(CFA Fr)	493.50	271.976	168	210.224
Gambia	(Dalasi)	15.9450	8.7875	5.428	6.7923
Germany	(D-Mark)	2 9375	1.6189	1	1.2513
Ghana	(Cedi)	734.65	404.877	250.094	312.95
Gibraltar	(Gib £)	1.00	0.5511	0.3404	0.4259
Greece	(Drachma)	349.85	192.808	119.098	149.031
Greenland	(Danish Krone)	11 3500	6.2551	3.8638	4.8349
Grenada	(E Carr $)	4.8980	2.6993	1.6674	2.0864
Guadaloupe	(Local Fr)	9 8700	5.4395	3.36	4.2044
Guam	(US $)	1.8145	1	0.6177	0.7729
Guatemala	(Quetzal)	9.3555	5.1559	3.1848	3.9853
Guinea	(Fr)	1473.50	812.069	501.617	627.689
Guinea-Bissau	(Peso)	9070.00	4998.62	3087 66	3863.68
Guyana	(Guyanese $)	225.10	124.056	76.6297	95.8892
Haiti	(Gourde)	9.0700	5	3.0876	3.8636
Honduras	(Lempira)	9.7550	5.3761	3.3208	4.1554
Hong Kong	(HK $)	14.0280	7.731	4.7754	5.9757
Hungary	(Forint)	143.35	79.0024	48.8	61.0649
Iceland	(Icelandic Krona)	105.00	57.8671	35.7446	44.7284
India	(Indian Rupee)	51.73	28.5092	17.6102	22.0362
Indonesia	(Rupiah)	3687.85	2032.43	1255.44	1570.97
Iran	(Rial)	2650.0v	1460 46	902.128	1128.86
		119.75o	65.9961	40.7659	51.0117
Iraq	(Iraqi Dinar)	0.5936	0.3271	0.202	0.2528
Irish Rep	(Punt)	1.0985	0.6054	0.3739	0.4679
Israel	(Shekel)	4.43	2.4414	1.508	1.8871
Italy	(Lira)	2212.25	1219.21	753.106	942.386
Jamaica	(Jamaican $)	40.8150	22.4937	13.8944	17.3865
Japan	(Yen)	234.75	129.374	79.9148	100
Jordan	(Jordanian Dinar)	1.2330	0.6795	0.4197	0.5252
Kenya	(Kenya Shilling)	56.9775	31.4012	19.3965	24.2715
Kiribati	(Australian $)	2.3935	1.319	0.8148	1.0195
Korea North	(Won)	3.9545	2.1793	1.3462	1.6845
Korea South	(Won)	1425.70	785.726	485.345	607.327
Kuwait	(Kuwaiti Dinar)	0.52925	0.2916	0.1801	0.2254
Laos	(New Kip)	1287.95	709.81	438.451	548.647
Lebanon	(Lebanese £)	2928.30	1613.83	996.868	1247.41
Lesotho	(Maluti)	5.1385	2.8319	1.7492	2.1889
Liberia	(Liberian $)	1.8145	1	0.6177	0 7729
Libya	(Libyan Dinar)	0.5028	0.2771	0.1711	0.2141
Liechtenstein	(Swiss Fr)	2.7025	1.4893	0.92	1.1512
Luxembourg	(Lux Fr)	60.40	33.2874	20.5617	25.7294
Macao	(Pataca)	14.4935	7.9875	4.9339	6.174
Madagascar	(MG Fr)	3132.75	1726 51	1066.47	1334.5
Madeira	(Port Escudo)	243.75	134.335	82.9787	103.834
Malawi	(Kwacha)	5.7685	3.1791	1.9637	2.4572
Malaysia	(Ringgit)	4.5705	2.5188	1.5559	1.9469
Maldive Is	(Rufiya)	17.9765	9.9071	6.1196	7.6577
Mali Rep	(CFA Fr)	493.50	271.976	168	210.224
Malta	(Maltese £)	0.5740	0.3163	0.1954	0.2445
Martinique	(Local Fr)	9.8700	5.4395	3.36	4 2044
Mauritania	(Ouguiya)	154.05	84.8994	52.4425	65.623
Mauritius	(Maur Rupee)	28.20	15.5414	9.6	12.0127
Mexico	(Mexican Peso)	5475.85	3017.83	1864.12	2332.63
Miquelon	(Local Fr)	9.8700	5.4395	3.36	4.2044
Monaco	(French Fr)	9 8700	5.4395	3.36	4.2044
Mongolia	(Tugrik)	72.56	39.9889	24.7012	30.9094
Montserrat	(E Carr $)	4.8980	2.6993	1.6674	2.0864
Morocco	(Dirham)	15.6210	8.6089	5.3177	6.6543
Mozambique	(Metical)	4173.95	2300.33	1420.92	1778.04
Namibia	(S A Rand)	5.1385	2 8319	1.7492	2.1889
Nauru Is	(Australian $)	2.3935	1.319	0.8148	1.0195
Nepal	(Nepalese Rupee)	84.5870	46.6172	28.7955	36.0328
Netherlands	(Guilder)	3.3075	1.8228	1.1259	1.4089
N'nd Antilles	(A/Guilder)	3.2470	1.7894	1.1053	1.3831
New Zealand	(NZ $)	3.3900	1.8682	1.154	1.444
Nicaragua	(Gold Cordoba)	9.07	4.9986	3.0876	3.8636
Niger Rep	(CFA Fr)	493.50	271.976	168	210.224
Nigeria	(Naira)	33.4865	18 45	11.3996	14.2647
Norway	(Nor. Krone)	11.4550	6.313	3.8995	4.8796
Oman	(Rial Omani)	0.6999	0.3857	0.2382	0.2981
Pakistan	(Pak Rupee)	45.22	24.9214	15 394	19.263
Panama	(Balboa)	1.8145	1	0.6177	0.7729
Papua New Guinea	(Kina)	1.7375	0.9575	0.5914	0.7401
Paraguay	(Guarani)	2600.65	1433.26	885.328	1107.84
Peru	(New Sol)	2.09	1 1518	0.7114	0.8903
Philippines	(Peso)	46.00	25.3513	15 6595	19.5953
Pitcairn Is	(£ Sterling)	1.00	0 5511	0.3404	0.4259
	(NZ $)	3.3900	1.8682	1.154	1.444
Poland	(Zloty)	24937.0	13743.2	8489.19	10622.8
Portugal	(Escudo)	243.75	134.335	82.9787	103 834
Puerto Rico	(US $)	1.8145	1	0.6177	0.7729
Qatar	(Riyal)	6.6175	3.647	2.2527	2.8189
Reunion Is. de la	(F/Fr)	9.8700	5.4395	3.36	4.2044
Romania	(Leu)	410.56q	226.266	139.765	174.892
Rwanda	(Fr)	221.50	122.072	75.4042	94 3556
St Christopher	(E Carr $)	4.8980	2.6993	1.6674	2 0864
St Helena	(£)	1.00	0.5511	0.3404	0.4259
St Lucia	(E Carr $)	4.8980	2.6993	1.6674	2.0864
St Pierre	(French Fr)	9.8700	5.4395	3.36	4.2044
St Vincent	(E Carr $)	4.8980	2.6993	1.6674	2.0864
San Marino	(Italian Lira)	2212.25	1219.21	753.106	942.386
Sao Tome	(Dobra)	435.35	239.928	148.204	185.453
Saudi Arabia	(Riyal)	6.8180	3.7575	2.321	2.9043
Senegal	(CFA Fr)	493.50	271.976	168	210.224
Seychelles	(Rupee)	9.31	5.1308	3.1693	3 9659
Sierra Leone	(Leone)	743.75	409.893	253.191	316.826
Singapore	($)	2.9615	1.6321	1.0081	1.2615
Solomon Is	($)	5.2625	2.9002	1.7914	2.2417
Somali Rep	(Shilling)	4752.70	2619.29	1617.94	2024.58
South Africa	(Rand)	5.1385c	2.8319	1.7492	2.1889
		6.3770q	3.5144	2.1708	2.7165
Spain	(Peseta)	183.30	101.02	62.4	78.083
Spanish Ports in N Africa	(Sp Peseta)	183.30	101.02	62.4	78.083
Sri Lanka	(Rupee)	78.33	43.1689	26.6655	33.3674
Sudan Rep	(£)	163.25	89.9696	55.5744	69.542
Surinam	(Guilder)	3.2380	1.7845	1.1022	1.3793
Swaziland	(Lilangeni)	5.1385	2.8319	1.7492	2.1889
Sweden	(Krona)	10.5750	5.828	3.6	4.5047
Switzerland	(Fr)	2.7025	1.4893	0.92	1.1512
Syria	(£)	36.7335	20.2444	12.505	15.6479
Taiwan	($)	45.25	24.9379	15.4042	19.2758
Tanzania	(Shilling)	541.00	298.154	184.17	230.458
Thailand	(Baht)	46.25	25.4891	15.7446	19.7018
Togo Rep	(CFA Fr)	493 50	271.976	168	210.224
Tonga Is	(Pa Anga)	2.3935	1.319	0.8148	1.0195
Trinidad/Tobago	($)	7.7095	4.2488	2.6245	3.2841
Tunisia	(Dinar)	1.6465	0.9074	0.5605	0.7013
Turkey	(Lira)	12284.60	6770.24	4181.99	5233.06
Turks & Caicos	(US $)	1.8145	1	0.6177	0.7729
Tuvalu	(Australian $)	2.3935	1.319	0.8148	1.0195
Uganda	(New Shilling)	2112.25	1164.09	719.064	899.787
U A E	(Dirham)	6.6725	3.6773	2.2714	2.8423
United Kingdom	(£)	1.00	0.5511	0.3404	0.4259
United States	(US $)	1.8145	1	0.6177	0.7729
Uruguay	(Peso)	5321.75	2932.9	1811.66	2266.99
USSR	(Rouble)	1.0407o	0.5735	0.3542	0.4433
		164.39m	90.5979	55.9625	70.0276
Vanuatu	(Vatu)	202.60	111.656	68.9702	86.3045
Vatican	(Lira)	2212.25	1219.21	753.106	942.386
Venezuela	(Bolivar)	109.75	60.4849	37.3617	46.7518
Vietnam	(Dong)	20407.0	11246.6	6947.06	8693.08
Virgin Is-British	(US $)	1.8145	1	0.6177	0.7729
Virgin Is-US	(US $)	1.8145	1	0.6177	0.7729
Western Samoa	(Tala)	4.3985	2.424	1.4973	1.8736
Yemen (Rep of)	(Rial)	21.7680	11.9966	7.4103	9.2728
Yemen (Rep of)	(Dinar)	0.8435	0 4648	0.2871	0.3593
Yugoslavia	(Dinar)	578.05	318.573	196.783	246.241
Zaire Rep	(Zaire)	302275.0	166589	102902	128765
Zambia	(Kwacha)	261.20	143.952	88.9191	111.267
Zimbabwe	($)	9.1790	5.0586	3.1247	3.9101

Special Drawing Rights May 21, 1992 United Kingdom £0.764595 United States $1.39248 Germany D Mark 2.24565 Japan Yen180.465
European Currency Unit Rates May 22, 1992 United Kingdom £0.699656 United States $1.26848 Germany D Mark 2.05557 Japan Yen164.712

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential Imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate ;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Friday, May 22, 1992

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10
● Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	11	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	10	Nykredit Mortage Bank	11
Banco Bilbao Vizcaya	10	First National Bank Plc	14	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Royal Bk of Scotland	10
Bank of India	10	Girobank	10	● Smith & Williamson Secs.	10
Bank of Scotland	10	● Guinness Mahon	10	Standard Chartered	10
Banque Belge Ltd	10	● Hambros Bank	10	TSB	10
Barclays Bank	10	Hampshire Trust Plc	13.5	Unibank plc	10
Benchmark Bank	11	Heritable & Gen Inv Bnk	10	● United Bk of Kuwait	10
Brit Bk of Mid East	10	● Hill Samuel	10	Unity Trust Bank Plc	10
● Brown Shipley	10	C. Hoare & Co.	10	Western Trust	10
CL Bank Nederland	10	Hongkong & Shanghai	10	Westpac Bank Corp.	10
Citibank NA	10	Julian Hodge Bank	10	Whiteaway Laidlaw	10
City Merchants Bank	10	● Leopold Joseph & Sons	10	Yorkshire Bank	10
Clydesdale Bank	10	Lloyds Bank	10		
Co-operative Bank	10	Meghraj Bank Ltd	10		
Coutts & Co	10				

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AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Marlborough Fund Managers Ltd (1630)F						
57 Victoria Square, Bolton, BL1 1LA 0204 364842						
Managed Tst	5	51.54	51.84	55.15	5.25	46889
Martin Currie Unit Trusts Ltd (0905)H						
Saltire Crt, 20 Castle Terrace, Edinburgh 031 479 4646						
Far East (Pacific)	5¼	97.01	97.01	102.9	0.84	41357
Income & Growth	5¼	65.90	66.71xd	70.81	4.09	41358
European (z)	5¼	57.64	57.64	61.18	1.06	41359
Nth American (z)	5¼	40.16	40.16	42.63	0.75	41360
Intl Grwth(n/9-1)	5¼	74.31	76.01xd	80.68	1.04	41361
UK Growth	5¼	67.38	68.39	72.60	1.55	41362
Intl Income	5¼	55.78	56.35	59.81	3.38	46966
High Yield	5¼	45.44	45.94xd	48.76	5.13	46965
Charities	5¼	98.28	99.39xd	105.5	4.68	46963
Japan	5¼	31.89	31.89	33.85	0.17	47589
Emerging Markets	6	60.31	61.90	66.20	0.70	46899
For Matheson see Cannon UT						
For Mayflower Mngmt see Sheppards UT Mngmt						
Mercury Fund Managers Ltd (1000)H						
33 King William St, EC4R 9AS 071-280 2060						
American	5	133.4	133.4xd	141.7	0.00	40918
(Accum Units)	5	142.5	142.5xd	151.4	0.00	40919
American Opps	5	54.75	54.75	58.40	0.00	40922
(Accum Units)	5	55.50	55.50	59.20	0.00	40923
British Blue Chip	5	66.63	66.63xd	71.02	3.76	40924
(Accum Units)	5	76.22	76.22xd	81.23	3.76	40925
Cash	0	100.7	100.7	100.7	9.96	46004
(Accum Units)	0	122.0	122.0	122.0	9.96	46003
European Growth	5	165.8	165.8	175.6	0.51	40926
(Accum Units)	5	176.0	176.0	186.4	0.51	40927
European Income	5	64.18	64.18	68.06	3.45	40928
(Accum Units)	5	79.00	79.00	83.77	3.45	40929
General	5	421.9	422.7	450.9	2.69	40932
(Accum Units)	5	784.0	785.8	838.2	2.69	40933
Global Bond	5	105.6	105.6	110.9	6.66	41118
(Accum Units)	5	112.5	112.5	118.2	6.66	41119
For National & Provincial UT Mngrs see N&P UT Mngmt						
Newton Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 071-407 4404						
Newton Income	6	166.23	170.17xd	181.04	6.07	41593
Newton Global	6	211.17	211.17xd	224.65	1.42	41599
Newton General	6	132.26	136.13xd	144.81	4.08	41660
Newton Intl Bd	6	97.05	98.54xd	104.84	7.47	40212
Norwich Union Tst Managers (1200)H						
PO Box 124, 51/59 Rose Lane, Norwich 0603 682294						
Master Trust	6	91.71	91.71	97.55	3.31	46992
UK Equity	6	115.99	117.57	125.07	3.94	41111
UK Equity Income	6	112.62	114.29xd	121.58	5.27	46936
UK Smaller Co's	6	107.57	111.02	118.11	2.38	46936
UK Equity Growth	6	110.82	112.39	119.56	4.25	46494
UK Index Tracking	6	115.08	115.81	123.20	4.21	47662
Intl Index Tracking	6	96.00	96.83	103.01	1.45	48394
International	6	158.54	160.16xd	170.38	1.95	41112
European	6	126.36	127.37	135.50	0.94	41114
Pan European	6	97.73	98.71xd	105.01	0.09	45997
Nth American	6	121.15	122.34xd	130.15	2.12	41115
Nth Amer Smllr Cos	6	104.60	106.84	113.66	0.00	47663
Japanese	6	56.79	57.65	61.33	0.00	47005
Pacific	6	128.40	130.36	138.68	1.04	41113
South East Asian	6	128.00	130.19xd	138.50	1.02	46903
International Bond	6	104.13	104.15	110.80	6.53	46931
Gilt & Convertible	6	101.33	101.51	107.99	7.97	46930
Property	6	71.73	73.83	78.54	6.42	44768
Cash Deposit Accum	0	100.73	100.73	100.73	8.87	40555

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: *Also called redemption price.* The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is *a large excess of sellers of units over buyers.*

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a *forward price on request, and may move to forward pricing at any time.*

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh						031-226 3271
American ♥	5	270 9	270 9	288 0	0 78	41410
(Accum Units) ♥	5	318 8	318 8	339 0	0 78	41411
British	5	886 2	902 6	959 0	5 23	41416
(Accum Units)	5	1486 2	1513 7	1601 5	5 23	41417
European	5	338 8	338 8	359 9	1 44	41418
(Accum Units)	5	367 3	367 3	390 1	1 44	41419
Japan	5	96 60	96 60	102 8	–	41420
(Accum Units)	5	97 37	97 37	103 6	–	41421
New Pacific	5	209 0	209 0	223 1	1 57	46385
(Accum Units)	5	214 6	214 6	229 1	1 57	47994
PEP May 20	5	164 1	165 8	175 4	3 50	47580
Mixed Equity	5	133 4	134 8	142 6	2 70	47586
Mixed Equity Acc	5	141 5	143 0	151 3	2 70	40566
Mixed Cash	0	96 32	96 32	96 32	9 43	47585
(Accum Units)	0	121 0	121 0	121 0	9 43	40267
Majority Stlg	3	100 43	100 43	101 43	9 18	42703
Majority Stlg Acc	1	111 38	111 38	112 49	9 18	46689
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin 5 Rayleigh Rd, Hutton Brentwood Essex						
Enquiries 0277 227300				Dealing		0277 261010
International May 15	0	49 63	49 63	50 09	1 77	40906
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court Horsham						0403 232323
Equity	6	654 1	661 4	707 4	2 84	41423
North America	6	81 38	81 38	87 04	0 40	41424
Far East	6	87 47	87 47	93 60	0 58	41425
W wide Bond	5	47 32	47 32xd	50 34	6 27	41426
European	6	69 70	69 70	74 55	1 39	41429
Equity Income	6	74 03	74 03	79 18	4 61	41430
Portfolio	6	60 27	60 27xd	64 46	1 71	41431
UK Leading Cos	6	46 67	47 25	50 27	2 94	–
Broker Trusts						
Worldwide Growth	6	47 00	47 00	50 00	2 23	47736
Intnl Equity	6	46 34	46 76	50 01	2 73	–

	Bid Price	Offer Price	Yield Gross	City-line
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ				071-588 1815
Property Apr 30	189 10	192 95	8 21	40825
Equity Apr 30	905 90	918 60	3 83	40826
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond May 21	105 75xd		10 2	40883
(Accum Units)	657 35		10 2	40884
NAACIF May 19	42 75xd		9.09	46917
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † May 19	141 4	151 5	1 78	46925
UK Small Cos May 19	569 0	621 9	3 22	46926
Fixed Interest † May 19	110 7	116 5	8 58	46920
US Small Co May 19	151 9	162 5	0 00	46927
Managed May 19	115 8	121 8	3 45	46924
Intl Bond May 19	120 6	127 2	10 10	47790
Japan May 19	61 42	65 44	4 87	47877
European May 19	92 86	99 38	1 70	47876
Nth American May 19	110 7	119 2	1.33	47878
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
American Exempt	54 13	56 30	1.66	41064
European Exempt	53 97	56 67	2 27	41065
Fixed Int Ex May 20	48 63	49 83	8 67	46594
Japan Exempt	37 32	38 82xd	0 76	41066
Managed Ex May 21	48 13	50 06xd	3 94	41067
SE Asia Exempt	80 86	84 91	2.41	41068
Sm Cos Expt May 20	38 65	40.59xd	3 17	41069
UK Eqty Ex May 20	46.96	49 31	3 58	41070
Phillips & Drew Fund Management Ltd				
Small Co's May 7	712.80	759 15xd	4.27	41138
Do Accum	832 15	886 26	4 27	41139
Intl Expt May 21	191 08	195 15xd	1.65	41140
UK Index May 7	1244 90	1380.31xd	4 62	46945
Do Accum.	1388.89	1406.08	4 62	46946
Convertible May 18	100 86	104 07xd	7 77	46938

	Bid Price	Offer Price	Yield Gross	City-line
Allied Dunbar Assurance Plc – Contd.				
Gen 4				
Fixed Int Dep Acc	27 9	29 4	–	43180
Equity Acc	28 5	30 0	–	43174
Property Acc	23 0	24 [illegible]	–	[illegible]
Far East Acc	22 8	24 [illegible]	–	[illegible]
European Acc	23 1	24 [illegible]	–	[illegible]
Managed Acc	28.4	29.[illegible]	–	[illegible]
Overseas Acc	30 4	32 [illegible]	–	[illegible]
Gilt Acc	30 9	32.[illegible]	–	[illegible]
Am Equity Acc	27 5	29 0	–	[illegible]
Am Managed Acc	26 7	28.[illegible]	–	[illegible]
Am Property Acc	21 1	22 [illegible]	–	[illegible]
High Income Acc	26 4	27 8	–	[illegible]
High Income Ser 2	26 4	27 [illegible]	–	[illegible]
Pension Funds				
F I Dep Cap	369 8	389 [illegible]	–	[illegible]
F I Dep Acc	702.3	739.[illegible]	–	[illegible]
Prop Cap	497 9	524.[illegible]	–	[illegible]
Prop Acc	1046.0	1101 [illegible]	–	[illegible]
Man Cap	932 0	981 [illegible]	–	[illegible]
Man Acc	1957 7	2060 [illegible]	–	[illegible]
Gilt Edged Cap	389 4	409 [illegible]	–	[illegible]
Gilt Edg Acc	666 9	702 [illegible]	–	[illegible]
Eq Cap	1528 7	1609 [illegible]	–	[illegible]
Eq Acc	2431 9	2559.[illegible]	–	[illegible]
Am. Eq Cap	183 9	193 [illegible]	–	[illegible]
Am Eq Acc	246 0	259.[illegible]	–	[illegible]
Far East Cap	199.3	209 [illegible]	–	[illegible]
Far East Acc	266.7	280.[illegible]	–	[illegible]
Euro Cap	31 9	33.[illegible]	–	[illegible]
Euro Acc	38.4	40.[illegible]	–	[illegible]
B.S Cap	434 2	456 [illegible]	–	[illegible]
B.S Acc	801.3	841 [illegible]	–	[illegible]
D.A.F. Cap	333 8	333.[illegible]	–	[illegible]
D.A.F Acc	548 7	548.[illegible]	–	[illegible]
Mortgage Cap	204 4	212.[illegible]	–	[illegible]
Mortgage Acc	269.7	283 [illegible]	–	[illegible]
Barings Funds				

	Bid Price	Offer Price	Yield Gross	City-line
Henderson Administration(z)				
3 Finsbury Ave, London, EC2M 2PA				071-638 5757
UK Equity	328 6	349 6	–	42476
Fixed Interest	64 3	68 5	–	42477
N America	261 40	276 1	–	42482
Far East	359 0	382 0	–	42483
Global Managed	340.9	362.7	–	42484
Deposit	207 2	218 2	–	42485
Income Res.	133 4	140 5	–	42486
European	192 9	205 3	–	42489
Pension Funds				

	Bid Price	Offer Price	Yield Gross	City-line
Life Association of Scotland				
113 Dundas St, Edinburgh EH3 5KB				031-550 5000
LAS Investment Assurance				
Managed Fund	277 3	291 9	–	42674
UK Equity	482.2	507.6	–	42675
Property	289 9	305 2	–	42676
Money Market	228 3	240 4	–	42677
Fixed Interest	272 4	286.8	–	42678
Japan	252.3	265.6	–	42680
North America	122.3	128.8	–	42681
International	211 8	223 0	–	42682
European	199 1	209 6	–	42684
Far East	81 3	85.6	–	42685

	Bid Price	Offer Price	Yield Gross	City-line
NEL Britannia Assce Co Ltd – Contd.				
Specialist Funds				
Barings Convertibles	115 2	121.3	–	45279
Barings Eastern	122 1	128 5	–	45280
Barings Equity Income	101 0	106.3	–	45282
Barings European Growth	108 4	114 1	–	45281
Barings German Growth	106 8	112 4	–	45283
Barings Japan Growth	84 4	88 8	–	45284
Barings UK Smllr Cos.	109 5	115 3	–	45285
Fidelity 1992 Euro Opps.	102.3	107 7	–	45347
Fidelity American	115.1	121 2	–	45286
Fidelity Amer Sp Sits.	139 5	146 8	–	45288
Fidelity Asian.	115.9	122.0	–	45287
Fidelity European	95.6	100 6	–	45349

Continued on next page

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Pearl Assurance (Unit Funds) Ltd

Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	Yield Gross	City-line
Property Dist. (Gross)	134.6	141.7	-	43235
Property Acc. (Gross)	256.6	270.1	-	43236
Equity (Gross)	938.0	987.4	-	43237
Managed (Gross)	645.9	679.8	-	43238
Property Acc. (Net)	122.7	129.2	-	43239
Equity (Net)	216.3	227.7	-	43240
Managed (Net)	197.7	208.1	-	43241
International (net)	168.5	177.4	-	43242
Gilt & Fixed Interest	140.6	148.1	-	43243
Money Fund	138.9	146.2	-	43244
Mixed Fund (Cap)	123.3	129.8	-	46550
Mixed Fund (Acc)	127.2	133.9	-	46548
Adventurous Managed	96.9	102.0	-	41201
Cautious Managed	95.7	100.7	-	41202
Pearl Assurance (Unit Linked Pens) Ltd				
Ret. Man (Series 1)	702.7	739.7	-	43245
Ret. Man (Series 2)	238.3	250.9	-	43246
Ret. Cash	195.2	205.4	-	43247
Pens Mixed Fd (Cap)	138.4	145.7	-	46559
Pens Mixed Fd (Acc)	142.8	150.4	-	46558
Pens Stlg Fd (Cap)	103.2	108.7	-	46561
Pens Stlg Fd (Acc)	106.5	112.2	-	46560

Pegasus Assurance Ltd

Broad Quay, Bristol BS1 4DJ 0272 230271

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Managed Aggressive	104.6	110.1	-	43906
Managed Balanced	102.8	108.3	-	43346
Managed Cautious	114.2	120.3	-	43350
Pension Funds				
Managed Aggressive	109.4	115.2	-	43307
Managed Balanced	107.8	113.5	-	43347
Managed Cautious	119.1	125.4	-	43351

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED(**))

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED(**))

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

A resistible rise

ALTHOUGH the US dollar's slide against the D-Mark appeared to be bottoming out at the end of last week, traders are still looking for positive signs of a US economic recovery before they invest further in the currency, *writes James Blitz.*

UK clearing bank base lending rate 10 per cent from May 5, 1992

The Federal Reserve's decision not to signal a cut in interest rates last Wednesday gave the *dollar a new surge of strength* on the foreign exchange markets, up to around DM1.6135 in light trading yesterday.

The dollar could rise further if the conference board's *consumer confidence index*, which is due out today, proves as good as the market expects. The April figure was sharply up to 64.8, and the market is predicting another increase for May, up to 66.0. Tomorrow's *figure for April's durable goods orders* will also affect the *currency*, with the market expecting a 0.5 per cent rise. The revision of first quarter GDP is due out on Friday.

Germany's economic numbers will be scrutinised no less carefully, as the markets seek confirmation that another rise in the emergency Lombard rate is out of the question.

Last Friday's better-than-expected figure for April money supply, which came in at 8.8 per cent, dashed expectations of another rate rise. The provisional cost of living figures for May, which should be *out tomorrow*, will give some indication of whether inflation is fully under control. The market expects to see a 0.3 per cent monthly rise.

Sterling investors will focus carefully on today's figure for *the UK trade balance in April*, which analysts expect to be in the red to the tune of £0.9bn. UK analysts fear that the trade balance may widen as Britain's economy grows, and that this may hinder the pound's strength in the long term.

£ IN NEW YORK

May 22	Close	Previous Close
£ Spot	1.8150-1.8160	1.8155-1.8165
1 month	0.99-0.94pm	0.93-0.91pm
3 months	2.70-2.67pm	2.71-2.68pm
12 months	8.73-8.63pm	8.87-8.77pm

CURRENCY MOVEMENTS

May 22	Bank of England Index	Morgan Guaranty Changes %
Sterling	92.8	-18.9
U.S Dollar	63.5	-14.8
Canadian Dollar	99.9	-2.2

PHILADELPHIA SE £/$ OPTIONS

£31,250 (cents per £1)

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
1.725	8.75	8.80	8.75	8.75	-	0.37	1.10	1.79
1.750	6.30	6.38	6.48	6.63	0.14	0.80	1.79	2.58
1.775	3.94	4.30	4.59	4.85	0.39	1.50	2.71	3.64
1.800	2.10	2.61	3.14	3.50	1.25	2.56	3.96	4.98
1.825	0.91	1.55	2.13	2.49	2.59	3.96	5.51	6.57
1.850	0.31	0.83	1.35	1.72	4.51	5.78	7.26	8.30
1.875	0.05	0.39	0.81	1.11	6.75	7.81	9.20	10.21

Previous day's open int. Calls 254,080 Puts 482,690 (All currencies)
Previous day's volume: Calls 48,624 Puts 93,246 (All currencies)

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
106	-	-	-	-	-	-
107	-	-	-	0.16	0.38	-
108	1.45	1.89	-	0.34	0.64	-
109	0.84	1.33	-	0.70	1.05	-
110	0.43	0.85	-	-	-	-
111	0.21	0.54	-	-	-	-
Open Int	52,227	13,525	-	42,910	17,223	-

Estimated volume 9,3806 Total Open Interest 125,885

FINANCIAL TIMES STOCK INDICES

	May 22	May 21	May 20	May 19	May 18	May 15	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs.	89.58	89.46	89.37	89.21	89.23	89.04	89.58	85.11	127.4	49.18
Fixed Interest	105.39	105.16	104.87	104.74	104.57	104.33	105.39	97.15	105.4	50.53
Ordinary	2149.7	2141.9	2147.5	2129.5	2129.1	2113.3	2149.7	1851.4	2149.7	49.4
Gold Mines	111.9	112.6	111.9	112.0	112.4	111.4	160.6	106.8	734.7	43.5
FT Act All-Share	1319.18	1314.63	1318.33	1312.07	1312.69	1303.73	1326.36	987.46	1326.36	61.92
FT-SE 100	2715.0	2702.0	2711.9	2700.6	2703.6	2682.6	2737.8	2382.7	2737.8	986.9
FT-SE Eurotrack 100	1197.48	1187.57	1187.62	1180.66	1184.41	1171.24	1197.48	1078.19	1197.48	900.45
FT-SE Eurotrack 200	1246.12	1239.19	1240.96	1232.78	1236.76	1225.65	1248.79	1120.52	1248.79	938.62

LONDON SHARE SERVICE

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
-	F.P.	-	15p	8p	Brent Walker Var Rte 2nd Prf '00/07	12p	-1
-	F.P.	-	12p	7p	Do.8½pc 3rd Non-Cum Cnv Prf 2007/10	7p	
100p	F.P.	-	103¾p	102½p	Commercial Union 8¾pc Cm Irrd Pf	102¾p	
-	F.P.	-	59p	48½p	M & G Recovery Zero Div Prf 1p	59p	+¼

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY MAY 25 1992 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY MAY 22 1992 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1992 High	1992 Low	Year ago (approx)
Australia (69)	152.42	+0.1	124.54	124.67	128.26	133.92	+0.1	4.11	152.33	124.47	124.60	128.16	133.84	153.68	140.94	141.18
Austria (19)	168.77	+0.5	137.90	138.05	142.01	142.10	+0.5	2.06	167.92	137.20	137.35	141.30	141.38	186.70	162.48	197.85
Belgium (46)	141.28	-0.4	115.43	115.55	118.87	116.02	-0.4	5.24	141.84	115.89	116.01	119.35	116.48	146.19	135.87	134.53
Canada (115)	126.85	-0.1	103.65	103.75	106.73	109.81	-0.1	3.33	127.00	103.77	103.88	106.86	109.94	142.12	125.60	137.15
Denmark (35)	239.19	+0.0	195.44	195.65	201.27	203.49	+0.0	1.80	239.25	195.48	195.70	201.31	203.53	273.94	226.81	242.94
Finland (15)	79.53	+0.8	64.98	65.06	66.92	73.38	+0.8	1.97	78.87	64.44	64.52	66.37	72.77	89.80	73.64	115.34
France (104)	166.12	+0.1	135.73	135.87	139.77	141.76	+0.1	3.32	166.03	135.66	135.80	139.70	141.68	168.75	148.06	135.98
Germany (65)	124.21	+0.4	101.49	101.61	104.52	104.52	+0.4	2.21	123.69	101.07	101.19	104.08	104.08	124.21	114.67	114.63
Hong Kong (55)	249.49	+2.2	203.85	204.07	209.94	247.94	+2.2	3.30	244.23	199.55	199.77	205.52	242.71	249.49	176.36	147.73
Ireland (16)	159.20	-0.7	130.08	130.22	133.96	135.62	-0.7	4.01	160.27	130.96	131.10	134.86	136.54	173.71	151.78	153.76
Italy (78)	72.01	+0.5	58.84	58.90	60.59	65.57	+0.5	3.22	71.64	58.54	58.60	60.28	65.23	80.86	68.39	79.50
Japan (473)	105.03	+1.0	85.82	85.91	88.39	85.91	+1.0	0.99	103.97	84.95	85.04	87.50	85.04	140.95	88.70	136.38
Malaysia (68)	236.10	-0.2	192.91	193.11	198.66	229.32	-0.2	2.83	236.67	193.38	193.58	199.14	229.88	250.18	212.49	246.69
Mexico (18)	1620.27	-0.2	1323.89	1325.31	1363.38	5497.91	-0.2	1.04	1623.59	1326.60	1328.03	1366.17	5509.16	1789.77	1376.91	1000.33
Netherland (25)	159.16	+0.7	130.04	130.18	133.93	132.39	+0.7	4.22	158.01	129.10	129.24	132.96	131.43	159.81	147.88	139.52
New Zealand (14)	46.65	-0.2	38.11	38.16	39.25	46.29	-0.2	5.53	46.74	38.19	38.24	39.33	46.38	48.52	42.01	51.61
Norway (23)	186.11	+0.1	152.07	152.24	156.61	159.46	+0.1	1.59	185.94	151.93	152.10	156.47	159.32	192.95	161.26	206.49
Singapore (38)	216.21	+0.4	176.66	176.85	181.93	162.90	+0.4	2.00	215.29	175.91	176.10	181.15	162.21	228.43	192.76	202.50
South Africa (61)	243.70	+0.8	199.12	199.33	205.06	187.24	+0.8	2.71	241.79	197.56	197.77	203.45	185.78	263.60	203.16	216.05
Spain (50)	158.04	-0.5	129.13	129.27	132.98	120.86	-0.5	5.02	158.81	129.76	129.91	133.63	121.46	160.85	146.86	161.48
Sweden (26)	198.74	-0.1	162.39	162.56	167.23	171.45	-0.1	2.53	199.01	162.61	162.79	167.47	171.69	199.93	173.09	180.37
Switzerland (60)	105.22	+0.2	85.97	86.07	88.55	97.13	+0.2	2.21	105.02	85.81	85.91	88.38	96.95	107.27	95.98	95.50
United Kingdom (228)	198.48	+0.0	162.17	162.33	167.00	162.17	+0.0	4.60	198.48	162.17	162.33	167.00	162.17	200.07	165.85	171.28
USA (522)	168.84	+0.0	137.95	138.11	142.08	168.84	+0.0	2.96	168.84	137.95	138.11	142.08	168.84	171.66	160.92	152.86
Europe (780)	155.78	+0.1	127.29	127.42	131.09	130.02	+0.1	3.77	155.61	127.14	127.28	130.94	129.88	156.64	139.31	139.90
Nordic (99)	182.49	+0.0	149.11	149.27	153.56	150.88	+0.0	2.12	182.57	149.17	149.34	153.63	150.95	188.52	169.66	184.86
Pacific Basin (717)	111.30	+1.0	90.94	91.04	93.66	91.98	+1.0	1.38	110.20	90.04	90.14	92.73	91.05	141.97	94.40	136.73
Euro-Pacific (1507)	129.32	+0.6	105.66	105.77	108.81	107.71	+0.6	2.52	128.58	105.06	105.17	108.19	107.10	145.21	113.80	138.37
North America (637)	166.21	+0.0	135.80	135.96	139.88	164.82	+0.0	2.97	166.21	135.81	135.97	139.89	164.83	169.69	158.70	151.81
Europe Ex. UK (562)	130.46	+0.2	106.60	106.73	109.80	111.49	+0.2	3.14	130.20	106.38	106.52	109.58	111.27	131.00	121.81	120.67
Pacific Ex. Japan (244)	173.12	+0.9	141.46	141.63	145.69	154.09	+0.9	3.53	171.59	140.20	140.37	144.40	152.72	173.12	149.00	139.75
World Ex. US (1701)	131.46	+0.5	107.41	107.54	110.62	109.86	+0.5	2.53	130.74	106.83	106.95	110.02	109.36	146.91	116.45	139.60
World Ex. UK (1995)	137.85	+0.4	112.64	112.76	116.01	124.69	+0.4	2.45	137.34	112.22	112.35	115.58	124.22	150.58	127.21	140.28
World Ex. So. Af. (2162)	142.41	+0.3	116.36	116.50	119.84	127.84	+0.3	2.70	141.85	115.99	116.12	119.46	127.23	153.05	130.04	142.58
World Ex. Japan (1750)	164.46	+0.1	134.38	134.53	138.41	152.45	+0.1	3.27	164.29	134.24	134.40	138.27	152.30	165.06	153.20	147.88
The World Index (2223)	143.07	+0.3	116.90	117.03	120.40	128.18	+0.3	2.70	142.60	116.52	116.65	120.00	127.76	153.70	130.66	143.02

Markets closed May 25: United Kingdom and USA.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

	Notes	Price	Wk% ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
Scot National Inc.		97½	1.0	[illegible] ApJyOcJa		[illegible]	24.2	[illegible]
Cap.		[illegible]	—	—	—	21.1	—	[illegible]
Stepped Pf	t	149¾	1.6	5.25	Sep Mar	44.9	24.2	[illegible]
Zero Div Pf		[illegible]	1.6	—	—	[illegible]	—	[illegible]
Warrants		7	—	—	—	[illegible]	—	[illegible]
Scot Value	tn	[illegible]½	1.6	1.8	Jan Jul	14.6	9.12	[illegible]
Sec Alliance	t	[illegible]	−9	[illegible]	Apr Oct	241.7	24.2	[illegible]
Second Market	s	242	0.4	1.5	May	[illegible]	6.4	[illegible]
Sec Tst Scot		74xd	−7	3.25	Jul Dec	[illegible]	11.5	[illegible]
Select Assets		[illegible]	−2.0	[illegible]	Apr	23.5	24.2	[illegible]
Eq Ind SerI		123	0.8	4.25	JaApJeOc	21.7	6.4	[illegible]
Eq Ind SerII		123	0.8	4.25	JaApJeOc	[illegible]	6.4	[illegible]
Shires		243	−1.6	18.4	ApJyOcJa	61.8	9.3	4814
11pc Cv Ln '03/04		£114½	−2.8	011%	Sep Mar	26.2	24.2	4812
Siem Select		78	[illegible]	1.8	Jul	11.7	—	[illegible]
Warrants		15	−16.7	—	—	0.45	—	[illegible]
Smaller Cos		84	—	2.5	Apr Oct	[illegible]	24.2	[illegible]
Warrants		19	−5.0	—	—	0.57	—	[illegible]
Sphere Inc	N	15½	−3.1	[illegible]	[illegible]	[illegible]	27.4	4278
Zero Div Pf		77¼	4.7	—	—	[illegible]	—	[illegible]
Warrants		8¾	—	—	—	[illegible]	—	[illegible]
Stratton		[illegible]	—	1.7	Jul	21.2	3.6	4128
Sumit		[illegible]	13.6	1.25	May	[illegible]	9.3	[illegible]
TR City of Lon	M	128	1.6	4.70	FebMyAuNv	[illegible]	6.4	4271
TR Euro Growth	s	[illegible]	1.1	1.0	Oct	32.7	16.9	[illegible]
Ptg Sub	s	[illegible]	—	1.0	Oct	1.21	16.9	—
TR Far East Inc	M	96xd	−1.0	4.4	ApJyOcJa	44.1	11.5	[illegible]
Warrants		[illegible]	−4.6	—	—	1.05	—	—
TR High Inc		[illegible]	—	[illegible]	MrJyOcJa	23.6	6.4	[illegible]
Sub	g	[illegible]	—	1.5	Jul	[illegible]	1.7	[illegible]
TR Pacific	s	[illegible]	−1.0	0.25	Apr	[illegible]	9.3	[illegible]
TR Prop		24¼	−2.0	1.45	Jan Jul	[illegible]	9.12	[illegible]
TR Smaller		149	−3	3.7	Mar Sep	285.5	10.2	[illegible]
TR Technology	M	35	2.9	1.75	Aug	18.4	15.7	[illegible]

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions: CRP Leisure (Section: Contracting & Construction), Amicable Smaller Enterprises Trust Ordinary and Warrants (Inv. Trusts) and Waste Management (Miscellaneous).

Deletions: Davier Corporation (Engineering General) and Europa Energy (Oil & Gas).

London Share Prices

Real time share prices are available by calling FT Cityline on 0891 43 + the four digit code listed after the share price on this page. Calls charged at 36p/min cheap rate and [illegible] at all other times.

THE FT INTERVIEW

Profit is music to his ears

Alain Lévy, chief executive of PolyGram, speaks to Michael Skapinker

'I really don't understand some new albums'

For a journalist reared on Janis Joplin and Simon and Garfunkel, contact with the music industry can be dispiriting. If the head of a chemical or electronics company mentions an utterly unfamiliar product, you can ask what it is or look it up.

But when Alain Lévy, French-born chief executive of the music giant PolyGram, announces that his most promising acts are such mysterious names as PM Dawn, Black Sheep, Ce Ce Peniston and Ugly Kid Joe, you have to accept that you are getting old.

Some of Lévy's sober-suited music industry colleagues look as if they *could* be running chemical or electronics companies, which makes their pronouncements on the latest US rap act seem all the more incongruous. Lévy at least looks as if he belongs in a creative business. Although his expansive office in London's Berkeley Square befits his status as one of the most powerful figures in the music industry, his tousled hair and anarchic grin give him a passing resemblance to Harpo Marx.

But even Lévy, who is 45, says some of his company's new albums are lost on him. "It's a bit distressing. More and more I'm saying, 'I don't understand it'. Some of it I really don't. I don't get the magic of the album, which is a bit sad."

Lévy does spend time with the company's artists. "You have to make sure they know they're important to you. The pitfall is that once they have access to the president, they don't want to talk to anybody else in the company."

Record industry executives, he says, should not get too wrapped up in the music. "The position I'm in can be pretty tempting. Artists call you up, say 'come to the studio', and soon you think you're an expert in mixing records, when you're an expert at nothing."

Lévy's job is to make profits for PolyGram, one of the few thriving subsidiaries of Philips, the Dutch electronics group. In March, in the midst of recession in important markets such as the US and Britain, PolyGram's net profits were up 24.8 per cent to Fl446m (£135m).

Lévy also announced that PolyGram was the biggest music company in the world, along with Time Warner of the US. The two companies have since been joined at the top by Thorn EMI of the UK which recently bought Richard Branson's Virgin Music, the last of the large independent labels. The three companies have a worldwide market share of about 18 per cent each.

PolyGram itself expanded its market share by buying Island Records in 1989 and A&M Records in 1990. The reason the large groups have snapped up the smaller labels, Lévy says, is that music is now a worldwide business. In the old days, record companies could make most of their money in the US. Today, the US typically accounts for no more than 30-35 per cent of sales of an album. Modern music companies need their large size to ensure international distribution of their releases.

Does this mean people the world over now have the same musical tastes? No, says Lévy. The stars with a global following account for about 60 per cent of the international music market. But companies cannot afford to ignore the rest of the market, which is made up of indigenous musical acts.

"Basically the Japanese market is very Japanese. The international repertoire there is the luxury of college kids. In Europe, I strongly believe that the more you talk about European integration, the more, culturally, people need to go back to their roots. Everybody was saying German repertoire was dead; now German repertoire is taking an increasing share in Germany.

"There are some key words which don't sound the same in English as they do in local languages and that won't change – 'love' is one. Plus, don't forget a lot of people don't understand English."

The absorption of small record labels by big music companies is only one example of consolidation in the industry. The other is the acquisition of the music companies themselves by large consumer electronics groups. Sony of Japan bought CBS, the US record company, in 1988. Matsushita of Japan bought MCA of the US in 1990.

PolyGram, whose connection with Philips goes back decades, is the oldest example of this link between manufacturers of consumer electronic "hardware" and the producers of music or "software". There are strong management ties between the two companies. Lévy sits on the Philips executive board. Jan Timmer, Philips' president, is a former head of PolyGram. It was Timmer who in 1984 recruited Lévy, then with CBS, to run PolyGram's French operation.

Philips and PolyGram have the advantage of both being European companies. Co-operation between Japanese electronics companies and US music groups is proving more difficult. Apart from the differences in corporate culture between electronics and music businesses, there are national differences. "It's a double cultural whammy," Lévy says. "For the Japanese, the individual is not important, it's the team. In a creative business, it's exactly the opposite. Megalomania is almost elevated to a virtue in our business."

PERSONAL FILE

- **1946** Born Metz, France. Educated Ecole des Mines and the Wharton School.
- **1972** Joined CBS International in New York as assistant to president.
- **1979** Managing director of CBS Disques, France.
- **1984** Chief executive, PolyGram, France.
- **1991** President & chief executive, PolyGram group.

Although the Japanese electronics groups have had difficulty realising the supposed "synergies" between electronic hardware and software, Lévy insists the benefits exist.

For the hardware companies, the margins available in the software business are a considerable attraction, Lévy says. It is difficult for the manufacturers of compact disc players and cassette recorders to realise large profits. The expense of developing a new technology, such as the compact disc, is huge, and the selling price of CD players has plummeted since their launch in the mid-1980s. By contrast, the price of discs has remained high.

"For the software companies, the benefit is an intangible but very important one, which is to think about your business in strategic terms, about how our music is going to be distributed in the next five to 10 years," Lévy says.

From this autumn, some of PolyGram's music will be played on a new type of machine called the Digital Compact Cassette (DCC). The DCC player, invented by Philips, plays conventional cassette tapes. It also plays digitally recorded tapes which have a sound similar to that of compact discs. Philips and PolyGram collaborated on the development of DCC, although Philips was careful to line up other music companies behind the technology as well. But, Lévy says, if PolyGram had advised against the launch of DCC, Philips would probably have abandoned the project. The music company serves as a market research organisation for the hardware manufacturer, telling it what will and will not be acceptable to the record industry.

Had Sony owned CBS at the time, Lévy believes, it would have known that the music companies were not prepared to co-operate in the introduction of Digital Audio Tape (Dat), an earlier CD-quality cassette player which failed to take off as a consumer product.

Sony is about to launch a new product – a miniaturised CD which is capable of recording as well. The appearance of full-sized blank, recordable CDs is likely within the next few years.

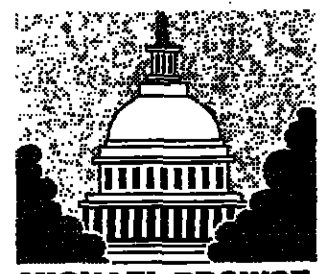
The progress of digital recording worries many in the music industry. They are not simply concerned about people making home copies of friends' CDs. They fear that consumers will have no need for pre-recorded CDs at all. With the parallel progress of digital broadcasting technology, they worry that people will record their music directly on to blank CDs from subscription satellite and cable channels – an "international juke box".

Lévy is not concerned about younger music fans who will still, he says, want to browse through record shops. The international juke box might, however, be more attractive to members of the rock 'n' roll generation who are now in their 40s.

"We're starting to see, especially in the US, people going to concerts who do not buy the record – which is a fairly new phenomenon. The concert hall will be packed but it doesn't affect new record sales. Obviously, we don't know how to offer the records to these people; if they could spend $25 on the ticket they could spend $12 on the record. They don't do it."

Lévy says the music industry has nothing to fear from this group recording their music from subscription services. "It might be a plus for us. It might reduce private copying and make it less cumbersome if, for $2 or $3, you can get a perfect copy at home, legally."

Lord, deliver us from deficits



MICHAEL PROWSE
on America

It promises to be one of the strangest chapters in fiscal history. Next month, a Democrat-dominated Congress is expected to back an amendment to the constitution requiring a balanced federal budget. The White House has already signalled its support. Ratification by the required three quarters of state legislatures is not seen as problematic; most will probably be eager to impose on Washington a restraint they have long endured. Believe it or not, most experts predict that a balanced federal budget will be part of the nation's highest law within five years.

This prospect is prompting a torrent of critical comment. The bipartisan Congressional Budget Office has denounced the plans as a "cruel hoax". The Washington Post says they are "sloppy, dangerous ... the ultimate expression of the weakness and dithering ... they purport to correct". The alarm has even spread to influential conservative organs. The Economist opposes the amendment, arguing that it is merely a ruse to distract attention from the failure to cut today's record deficit.

I find myself sympathising with members of Congress. It may be easier to vote for a balanced budget in 1997 than to cut spending or raise taxes today. Yet the sheer breadth of support for an amendment surely indicates a remarkable shift in opinion. A reform once supported only by a fringe of diehard conservatives is being championed by Senator Paul Simon, a prominent left-leaning liberal Democrat, and many others on the left of centre. What is going on?

The answer is that years of criticism of deficits has had an effect. The intellectual battle is won. Most members of Congress are now convinced that persistent deficits do harm: the long-term impact on national savings and hence on investment, productivity and growth is better understood than in the 1980s. At the same time, big deficits are widely denounced as an immoral charge on future generations and, increasingly, as a source of inequality today: the federal government pays more in interest to wealthy bondholders than it spends on programmes for the disadvantaged. But politicians also know – better than their critics – that the peculiar character of American politics makes responsible action desperately hard to achieve, especially when the parties share control of Congress and the White House.

Many of the arguments against a constitutional amendment are spurious. People say that the states regularly flout their balanced budget requirements. They may cheat a little, but their fiscal performance is impressive by federal standards. Most do take tough action when necessary. This has not been true for decades in Washington. The federal government has achieved a surplus in only one year since Dwight Eisenhower's presidency. In the past 12 years, the national debt has mushroomed from $1,000bn to $4,000bn.

A more serious objection is that the federal government needs fiscal flexibility because its job is to balance the national economy, rather than its own books. Economists offer two ripostes. The new-classical school says fiscal fine-tuning is impossible because movements in private saving offset the effect of government actions. The experience of the 1980s, when both public and private saving fell sharply, has largely refuted this piece of wishful thinking. But a second objection to fiscal demand management stands: by the time politicians have agreed how to respond to a recession, and passed the necessary legislation, the economy is usually on the mend. The practical significance of reduced fiscal flexibility may thus be limited.

It would depend, in any case, on the exact phrasing of a balanced budget amendment. There is no reason in principle to seek balance over a single year: a requirement for balance over a three or five year period would be perfectly feasible. This would allow the "automatic stabilisers" – falling taxes and rising benefit payments – to cushion demand during recessions. Under current proposals, a three-fifths majority of both houses could override the balanced budget rule; such majorities would be forthcoming if the US faced a 1930s-style depression. The much-vaunted freedom under existing rules has anyway proved illusory: the federal government borrowed so much during the 1980s that it was unable to take action to mitigate the recession.

The long-run drain on savings from persistent deficits is a far more serious threat than any temporary loss of fiscal flexibility. Yet the fragmentation of political accountability under the US system focuses attention on the short run. This provides a *prima facie* case for a constitutional amendment – for rules that force Washington to adopt longer fiscal time horizons. After the disappointments of the Gramm-Rudman legislation in the 1980s, the tough question is whether it would work.

Don't be too cynical. The passing of a constitutional amendment is not the same as ordinary legislation. At the very least, it would demonstrate broad national support for fiscal restraint and increase the pressure on Congress and White House to make painful decisions in coming years. At best, it might radically alter the conduct of fiscal policy. An appeal to constitutional authority is the modern equivalent of primitive tribe's prayer for deliverance. Prayers are sometimes answered.

JOTTER PAD

The battles are not over

IAN DAVIDSON
on Europe

In the immediate aftermath of the Maastricht summit last December, there was a palpable sense of anti-climax. A great battle had been won, the new Treaty of European Union was decided, and all excitement had evaporated.

Half a year on, this sense of anti-climax looks decidedly premature. Yes, the Maastricht treaty sets out an extraordinarily ambitious programme for the future development of European integration; but no, the battles are not over, the last word has not been spoken, the European Community has not reached a consensual resting place. The next phase in the never-ending struggle is just about to begin.

This never-ending struggle is about the nature of the Community. This is not mainly a battle between federalists and anti-federalists, but over the competences of the Community. Is it an arrangement between free states for the purpose of organising their market economy, with occasional political forays as an optional afterthought? Or is it essentially a political association, which just happened to start out with an economic agenda for reasons of caution and commodity?

The Maastricht phase of this struggle pronounced a contradictory compromise. Through Economic and Monetary Union (Emu), the Community will become increasingly federal, and thus essentially political; but its overt political agenda, of foreign and security policy, though rhetorically ambitious, is imprisoned in inter-governmental procedures which will make common action inherently difficult and infrequent.

This contradiction is too lame to last. If Emu reaches its term, the participating states will have abandoned all pretension to the independent macro-management of their economies. If a single European currency is created, on a basis of monetary stability and budgetary restraint, it can hardly fail to displace the dollar as the world's pivotal currency. Is there anyone who seriously supposes that such a Community should remain hobbled and impotent in the field of foreign and security policy?

Well, yes, there is such a person, and his name is Mr Malcolm Rifkind, Britain's new defence minister. In a recent speech on Europe's security policy, Mr Rifkind made clear that he does not hold with the idea. European security is Nato, the whole of Nato, and nothing but Nato; the Europeans may activate their long-dormant Western European Union (WEU) defence grouping if they like, but only as an adjunct to Nato. In all circumstances, the Europeans must first ask Nato; what Mr Rifkind means, of course, is that the Europeans must first ask the Americans.

You think I exaggerate? Try this. "The approach which the UK advocates is to sustain the clear assignment of allies' forces to Nato, while at the same time providing an ability to employ them for WEU purposes when that seems necessary. A decision to do so would require prior consultation within Nato, of course." I just love "of course".

The problem for the nostalgics is that Nato's treaty tasks are increasingly irrelevant to the security threats of the new world, and relevance is not improved by dreaming up new peace-keeping tasks not provided for in the treaty. Mr Rifkind implies that Nato (ie the US) should have a veto on European military action *outside* the Nato area and *outside* the responsibility of the Atlantic treaty. Yet he does not claim that Europe should have a veto next time America wants to bomb Libya or land troops in Lebanon. It is most curious.

The question whether Europe should have its own foreign and security policy will not be decided by Nato, however, let alone by Mr Rifkind. But it may be critically influenced by the Community's forthcoming debate over the admission of new members. And the question will be answered by the relative balance between those countries which want a foreign and security policy, and those which do not.

Not surprisingly, it is those countries which used to have a national foreign and security policy, which now want a foreign and security policy for Europe; they tend to be the large countries. The small countries long ago gave up any such thing for themselves, and are less interested in creating it for Europe.

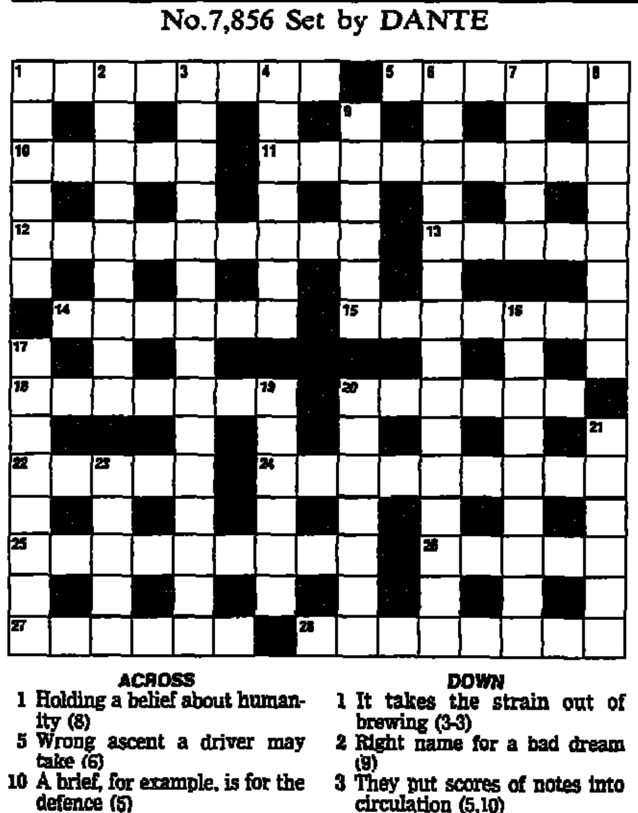
The present Community has five large countries, and seven small. Last week President Françoise Mitterrand and Chancellor Helmut Kohl strongly endorsed the membership applications of Austria, Sweden and Finland; presumably they will also endorse that of Switzerland when it is formalised.

All these countries are small, and they are also, in different ways, neutral. If they are admitted, the Community will still have only five large member states; but out of 18 members, 11 will be small and five will be neutral.

If this should be the future membership of the Community, there are only two possibilities. The first is that it will never acquire a European foreign and security policy, whatever the words in the Maastricht treaty. The second is that those big countries which want a foreign and security policy will have to form an inner political core or directory. In the end, even Britain will prefer the second option.

CROSSWORD

No.7,856 Set by DANTE



ACROSS

1 Holding a belief about humanity (8)
5 Wrong ascent a driver may take (6)
10 A brief, for example, is for the defence (5)
11 Accept later that you are a chip off the old block (4,5)
12 After "Jerusalem", perhaps, take the choir apart (9)
13 The trouble with one hundred is moral (5)
14 Appreciates standards (6)
15 Stillness subsequently broken by the French (7)
18 Pointedly heckled (7)
20 Body of Latin speakers (6)
22 Noblemen going to court in London (5)
24 Ballots to silence discord (9)
25 Peevishness I shall moderate (3,6)
26 Number with first-class way to back a landowner (5)
27 Seize a king before all others (6)
28 Is formed of evil sins in beds (8)

DOWN

1 It takes the strain out of brewing (3-3)
2 Right name for a bad dream (9)
3 They put scores of notes into circulation (5,10)
4 Is not on form with vague ideas (7)
6 Exaggerated accounts submitted by salesmen? (10,5)
7 Not a church, but the nick (5)
8 Hear case involving listener's complaints (8)
9 Highballs for slipshod enthusiasts? (6)
16 People suffering mental disorder in various countries (9)
17 Very good article for cake decoration (8)
19 Put new pep into endless diet with port (6)
20 One is going to say it (7)
21 Sadie's exchanging confidences (6)
23 A master of many subjects (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday June 6.